MINUTES OF THE AUGUST 23, 2012
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Chairwoman Debbie Smith called a regular meeting of the Interim Finance Committee (IFC) to order at 9:15 a.m. on August 23, 2012, in Room 4401 of the Grant Sawyer Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Nevada Legislative Building, 401 South Carson Street, Carson City, Nevada. Exhibit A is the Agenda and Exhibit B is the Meeting Packet. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Debbie Smith, Chairwoman
Senator Steven Horsford, Vice Chair
Senator Barbara Cegavske
Senator Moises Denis
Senator Ben Kieckhefer
Senator David Parks
Senator Mike Schneider
Assemblyman Elliot Anderson for Assemblyman Aizley
Assemblyman Kelvin Atkinson
Assemblyman David Bobzien
Assemblywoman Irene Bustamante Adams for Assemblyman Oceguera
Assemblywoman Maggie Carlton
Assemblyman Marcus Conklin
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph Hogan
Assemblyman Randall Kirner
Assemblywoman April Mastroluca

COMMITTEE MEMBERS EXCUSED:

Assemblyman Paul Aizley
Assemblyman John Oceguera
Senator Dean Rhoads (present in Carson City as an observer)

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN LAS VEGAS:

Mark Krmpotic, Fiscal Analyst, Senate
Mike Chapman, Acting Fiscal Analyst, Assembly

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN CARSON CITY:

Rick Combs, Director, Legislative Counsel Bureau
Risa Lang, Chief Deputy Legislative Counsel
Eileen O'Grady, Chief Deputy Legislative Counsel
Sherie Silva, Interim Finance Committee Secretary
Donna Thomas, Fiscal Analysis Division Secretary

A. ROLL CALL

Rick Combs, Director, Legislative Counsel Bureau, and Secretary, Interim Finance Committee, called the roll; a quorum of both houses was present.

Chairwoman Smith greeted Committee members and welcomed the audience members in attendance and those listening to the meeting on the Internet.

B. APPROVAL OF MINUTES OF THE APRIL 24, 2012, MEETING.

ASSEMBLYMAN KIRNER MOVED FOR APPROVAL OF THE APRIL 24, 2012, MINUTES.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote; Senator Schneider was not present for the vote.)

C. ALLOCATION OF FEDERAL GRANT FUNDS FOR WHICH A STATE AGENCY, COMMISSION OR DEPARTMENT HAS REQUESTED A PUBLIC HEARING PURSUANT TO NRS 353.337.

Department of Agriculture - Pest, Plant Disease, and Noxious Weed Control - FY 2013 - Addition of $73,015 in U.S. Forest Service (USFS) Cooperative Weed Management Cost Share grant funds; $52,966 in ARRA USFS Carson River grant funds; $97,391 in ARRA USFS Hawken Fire grant funds; $16,447 in ARRA USFS Peavine Fire grant funds; $55,064 in ARRA USFS Washoe Open Space grant funds; $144,631 in ARRA USFS Belli Fire grant funds; $140,124 in ARRA USFS Rancho grant funds; $406,598 in ARRA USFS Arrowcreek grant funds; $54,188 in ARRA USFS Truckee River grant funds; $11,165 in funds transferred from the Agriculture Registration and Enforcement account; and $3,134 funds transferred from the Grade and Certification of Agriculture Products account; and deletion of

$8,096 in U.S. Department of Agriculture (USDA) Specialty Crop Block Grant Farm Bill funds; $182,903 in USDA Cooperative Weed Management Area Bio-Control Project grant funds; and $53,902 in ARRA USFS Tamarisk grant funds to align state and federal authority and continue these programs. This request also transfers $1,219 from the ARRA USFS Tamarisk category to the Department Cost Allocations category; $3,792 from the ARRA USFS Tamarisk category to the Reserve category; $803 from the Personnel Services category to the Department Cost Allocations category; and $26,361 from the Personnel Services category to the Reserve category to align grant authority. **Requires Interim Finance approval since the amount involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing. Work Program #C24197**

Chairwoman Smith announced the block grant allocation included in Agenda Item C required a public hearing. She called for public testimony; there was none, and she closed the public hearing.

ASSEMBLYMAN GOICOECHEA MOVED FOR APPROVAL OF AGENDA ITEM C.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote; Senator Schneider was not present for the vote.)

D. WORK PROGRAM REVISION IN ACCORDANCE WITH NRS 353.220(5)(a). INFORMATIONAL ONLY – APPROVED BY THE GOVERNOR BECAUSE OF AN EMERGENCY AS DEFINED IN NRS 353.263 OR FOR THE PROTECTION OF LIFE OR PROPERTY.

Department of Business and Industry – Taxicab Authority - FY 2013 - Transfer of $47,736 from the Reserve category to the Information Services category due to an information technology failure requiring the emergency replacement of essential information technology equipment. **Work Program #C24435**

Chairwoman Smith explained Agenda Item D had been approved by the Governor as necessary for the protection of life and property and Committee action was not required. She asked for comments from Committee members and the public; there were none.

E. WORK PROGRAM REVISIONS IN ACCORDANCE WITH NRS 353.220(5)(b). INFORMATIONAL ONLY – REQUIRED EXPEDITIOUS ACTION WITHIN 15 DAYS.

1. Department of Education - Nutrition Education Programs - FY 2012 - Addition of $3,012 in federal Special Milk Program grant funds, $1,161,162 in federal Fresh

Fruits and Vegetables grant funds, and $4,629,555 in federal School Lunch Program grant funds due to an increase in rates and program participation in these programs. Requires Interim Finance approval since the amount added to the School Lunch Program category exceeds $75,000. **Work Program #C24298**

2. **Department of Health and Human Services – Health Division - Biostatistics and Epidemiology - FY 2013** - Addition of $112,759 in federal AIDS Surveillance Supplemental grant funds to provide Nevada health laboratories the capability to submit electronic data on reportable lab results to public health agencies. Requires Interim Finance approval since the amount added to the AIDS Surveillance Supplemental category exceeds $75,000. **Work Program #C24027**

3. **Colorado River Commission - Power Marketing Fund - FY 2012** - Addition of $2,200,000 in Power Sales funding to provide for the increased hydropower production as a result of the improved 2011 water year. Requires Interim Finance approval since the amount added to the Power Sales category exceeds $75,000. **Work Program #C24119**

4. **Department of Wildlife - Fisheries Management - FY 2013** - Addition of $99,645 in Trout Stamp funds transferred from the Wildlife Fund for the replacement of power transfer switches at the Mason Valley Hatchery. Requires Interim Finance approval since the amount added to the Hatchery Refurbishment category exceeds $75,000. **RELATES TO ITEM G.85. Work Program #C24223**

Chairwoman Smith explained the work program revisions in Agenda Item E required expeditious action. They were for the Committee's information only and no action was required. She asked for questions or comments from the Committee; there were none.

F. WORK PROGRAM REVISION IN ACCORDANCE WITH NRS 353.220(5)(c). INFORMATIONAL ONLY – REQUIRED ACTION WITHIN 45 DAYS.

Office of the Attorney General - Violence Against Women Grants - FY 2012 - Addition of $15,000 in federal Services, Training, Officers and Prosecutors (STOP) grant, and $70,992 in Sexual Assault Services Provider (SASP) grant, and deletion of $85,992 in federal ARRA STOP grant funds to align expenditure grant categories through fiscal year end closing. Requires Interim Finance approval since the amount transferred to the SASP grant category exceeds $75,000. **Work Program #C2394**

Chairwoman Smith said the work program revision in Agenda Item F was received from the Office of the Attorney General, and because it was received more than 45 days before the meeting, it was informational only, pursuant to *Nevada Revised Statutes*. She asked for questions or comments from the Committee; there were none.

G. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS AND POSITION CHANGES IN ACCORDANCE WITH CHAPTER 353 OF NRS.

Chairwoman Smith announced that there were several work programs on the Agenda that were not processed in a timely manner as required by *Nevada Revised Statutes,* and therefore the state was obligated to fiscal year 2012 expenditures subsequent to the end of the fiscal year. She asked representatives from the Department of Administration's Budget Division to approach the testimony table to discuss the problem. Chairwoman Smith asked the Fiscal Analyst to explain the items in detail.

Mike Chapman, Acting Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained Fiscal Division staff had identified 14 work programs in Agenda Item G that were processed after the state agencies had either committed funds for expenditure or had made expenditures. As a result, there were several budget shortfalls in the payroll category, but agencies had also committed funds for expenditures that required transfer of funds from category to category in order to cover vendor invoices after the end of the fiscal year.

A total of 15 work programs were involved, and Mr. Chapman reviewed each of them:

8. Department of Administration - Enterprise IT Services - Telecommunications- FY 2012 - Addition of $45,786 in Repair Charge funds to provide for services and equipment for phone systems through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Telephone Services category exceeds 10 percent of the legislatively approved amount for this category. **Work Program #C24051**

Agenda Item G-8 involved 10 unpaid vendor invoices, which required additional Repair Charge revenues to cover the invoices.

16. Department of Education - Discretionary Grants - Restricted - FY 2012 - Transfer of $40,000 from the English Language Acquisition Administration category to the Personnel Services category to fund a shortfall. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24425**

Agenda Item G-16 required a transfer of funds to cover payroll shortfalls.

18. Department of Education - Elementary and Secondary Education - Title I - FY 2012 - Transfer of $19,400 from the Operating Expenses category to the Personnel Services category and $8,100 from the Operating Expenses category to the Transfer to Budget Account 2719 category to fund projected shortfalls. Requires Interim Finance approval since the cumulative change to the Operating Expenses category exceeds $75,000. **Work Program #C24421**

Agenda Item G-18 required a transfer of funds to cover overtime and the resulting payroll shortfall.

19. **Department of Agriculture - Pest, Plant Disease, and Noxious Weed Control - FY 2012** - Addition of $8,000 in ARRA U.S. Forest Service (USFS) Stimulus Peavine Fire grant funds; $6,000 in ARRA USFS Stimulus Belli Fire grant funds; and $68,000 in ARRA USFS Stimulus Truckee River grant funds for reclamation efforts in Washoe County. Requires Interim Finance approval since the cumulative amount added to the ARRA USFS Truckee River category exceeds $75,000. **Work Program #C23988**

    Agenda Item G-19 increased various revenue and expenditure categories by a total of $82,000 to pay a subgrantee for work completed during fiscal year 2012.

30. **Department of Health and Human Services - Health Care Financing and Policy - Increased Quality of Nursing Care - FY 2012** - Transfer of $243,133 from the Payments to Nursing Facilities category to the Transfer to Medicaid category to fund projected expenditures for skilled nursing facilities for the care of Medicaid recipients. Requires Interim Finance approval since the amount transferred to the Transfer to Medicaid category exceeds $75,000. **Work Program #C23992**

    Agenda Item G-30 required transfer of funds to cover projected payments to nursing facilities.

37. **Department of Health and Human Services - Mental Health and Developmental Services - Desert Regional Center - FY 2012** - Transfer of $90,000 from the Residential Supports category to the Jobs and Day Training category to continue to assist developmentally disabled persons obtain employment and daily living skills. Requires Interim Finance approval since the amount transferred to the Jobs and Day Training category exceeds $75,000. **Work Program #C24394**

    Agenda Item G-37 required transfer of funds to cover projected shortfalls in the Jobs and Day Training category.

38. **Department of Health and Human Services - Mental Health and Developmental Services - Facility for the Mental Offender - FY 2012** - Transfer of $36,000 from the Utilities category to the Medications category to continue to provide medications needed for the treatment of clients. Requires Interim Finance approval since the amount transferred to the Medications category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23462**

    Agenda Item G-38 required transfer of funds to cover a shortage in the Medications category.

55. **Department of Corrections - Warm Springs Correctional Center - FY 2012** - Addition of $30,324 in Budgetary Transfers and $122 in Room, Board,

Transportation Charges to cover anticipated shortfalls for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C24261**

Agenda Item G-55 required additional funds to cover anticipated shortfalls for the remainder of FY 2012.

60. **Department of Corrections - Jean Conservation Camp - FY 2012** - Addition of $9,219 in Budgetary Transfers and $2,603 in Room, Board, Transportation Charges to cover anticipated shortfalls for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C24263**

    Agenda Item G-60 required additional funds and transfers to cover anticipated shortfalls for the remainder of FY 2012.

61. **Department of Corrections - Tonopah Conservation Camp - FY 2012** - Addition of $17,675 in Budgetary Transfers and $4,712 in Room, Board, Transportation Charges to provide funding for shortfalls for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C24257**

    Agenda Item G-61 required additional funds and transfers to cover anticipated shortfalls for the remainder of FY 2012.

81. **Department of Conservation** a**nd Natural Resources - State Parks - FY 2012** - Transfer of $169,000 in General Fund salary savings to the Division of Water Resources due to a projected shortfall in salaries. Requires Interim Finance approval since the amount deducted from the Personnel Services category exceeds $75,000. **Work Program #C24086**

    Agenda Item G-81 required transfer of funds to cover anticipated shortfalls in salaries for the remainder of FY 2012.

83. **Department of Conservation and Natural Resources - Environmental Protection - State Revolving Fund Administration - FY 2012** - Addition of $8,656 in federal Environmental Protection Agency (EPA) Water Pollution Control State Revolving Loan Fund (SRLF) grant funds and $25,966 in federal EPA Drinking SRLF Administration grant funds to cover a projected shortfall in salaries. Requires Interim Finance approval since the cumulative change to the Personnel Services category exceeds $75,000. **Work Program #C24193**

    Agenda Item G-83 required additional funds and transfers to cover anticipated shortfalls in salaries for the remainder of FY 2012.

86. **Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of $180,416 from the Trout Reserve category to the Transfer to Fisheries Management category and transfer of $209,240 from the Reserve category to the Transfer to Fisheries Management category to realign authority within this account to accurately reflect expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Transfer to Fisheries Management category exceeds $75,000. **Work Program #C24324**

Agenda Item G-86 required additional funds and transfers to realign authority within the account to accurately reflect expenditures through FY 2012.

99. **Office of Veterans' Services - Veterans' Home Account - FY 2012** - Transfer of $30,000 from the Reserve category to the Maintenance of Buildings and Grounds category and $15,000 from the Reserve category to the Information Services category to cover projected shortfalls due to unanticipated expenditures. Requires Interim Finance approval since the amount transferred to the Maintenance of Buildings and Grounds category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24164**

Agenda Item G-99 required transfers from the Reserve category to cover projected shortfalls due to unanticipated expenditures.

101. **Office of the Attorney General - Violence Against Women Grants - FY 2012** - Addition of $85,992 in federal ARRA funds and deletion of $85,992 in federal Services, Training, Officers, Prosecutors (STOP) grant funds to ensure grants are properly budgeted to process year-end expenditures. Requires Interim Finance approval since the amount added to the Prosecution Expenses category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24573. RECEIVED AFTER SUBMITTAL DEADLINE 8-16-12.**

Agenda Item G-101 required transfer of funds to provide sufficient funds to cover year-end expenditures.

Mr. Chapman said the problem was there were categorical shortfalls in the budget accounts, and most of the work programs were processed after the fiscal year closed on June 30, 2012, without authorization or approval by the Interim Finance Committee. He said it was not unusual to have an occasional work program processed after the close of the fiscal year, but Fiscal staff believed that the significant number of items should be brought to the Committee's attention.

Mr. Chapman suggested the Committee may want to ask the Budget Division to work with the state agencies to focus additional attention on fiscal management to more closely monitor and project expenditures. The Committee should affirm that any necessary transfers should be processed prior to the end of each fiscal year and that agencies should adhere to the provisions of *Nevada Revised Statutes* (NRS) 353.260, which prohibited spending in excess of the amounts appropriated or authorized, and

NRS 353.220, which mandated that expenditure authority must be in place prior to encumbrance of any appropriated or authorized money.

Jeff Mohlenkamp, Director, Department of Administration, said that he wanted to recognize Heidi Gansert, Chief of Staff in the Governor's Office, for her support during his first year as Director. She had worked closely with him on performance-based budgeting and had been instrumental in his success in his first year on the job. Mr. Mohlenkamp thanked Ms. Gansert for her support, as well as her many years of service to the state.

Chairwoman Smith replied that Committee members would echo Mr. Mohlenkamp's comments. In addition to serving in the Legislature with Ms. Gansert, she had worked many hours with her and Mr. Mohlenkamp on performance-based budgeting. Chairwoman Smith acknowledged the significant commitment Ms. Gansert had made to the state, and she thanked her for her service and wished her well on behalf of the Committee.

With regard to the work programs in question, Mr. Mohlenkamp said he had just learned of the work programs in question two days before and had not had an opportunity to research the specific details of each work program. He said each work program had its own circumstances, and most were a result of unforeseen situations that did not allow for earlier action by the agencies.

Mr. Mohlenkamp explained the Budget Division managed 769 budget accounts, 452 of which were Executive Budget accounts. Each budget account had numerous categories, and 15 work programs was a small number when looking at the magnitude of the state's finances. Four of the work programs were related to personnel costs, which were not as static as most believed. He noted there were many changes that could take place late in the fiscal year that would make earlier expenditure forecasts somewhat unreliable.

Mr. Mohlenkamp said he did not know whether action could have been taken earlier in these particular situations, but he said there were inherent challenges in managing the particular accounts involved. Three of the work programs related directly to caseload matters, directly providing customer services. He noted that caseloads could change, and some of the cases were very expensive. The addition of only a few cases could result in significant additional expenses. Mr. Mohlenkamp reiterated that expenditures were not static or very predictable through the end of a fiscal year.

Continuing, Mr. Mohlenkamp said that in order for the agencies to meet the June IFC meeting agenda, they would have had to know their numbers by mid-April because of the deadlines to submit work programs to the Budget Division and ultimately to the Fiscal Analysis Division. He said in some of the 15 cases, mid-April might have been practical, but in many cases, it probably was not. Mr. Mohlenkamp surmised that in a number of cases, the agencies did not have the required information to execute a work program by the June agenda deadline.

Looking forward, Mr. Mohlenkamp said there were opportunities for the Budget Division to work with the Fiscal Division staff to identify areas that could be improved upon. However, under the current structure, he believed timelines would always be a problem. Dollars were placed in categories and very precise mechanisms were required to understand how much money had to be allotted to each category. He said that overall the Budget Division did a good job in most categories.

Mr. Mohlenkamp went on to say that there were other options in order to meet the timeframes. He suggested that multiple work programs could be processed; a work program could be done earlier and then a second follow-up one to true up the numbers, but that would create additional work for the agencies, the Budget Division, and the Fiscal Division. Another option would be to use more 15-day expeditious action work programs, but the current administration had tried to minimize the use of expeditious work programs.

Lastly, Mr. Mohlenkamp suggested considering extension of the thresholds to avoid as many future situations or provide additional budget flexibility for agencies to manage their budgets without the strenuous oversight of the Legislature. He noted only three of the work programs were over $100,000; a majority of them were fairly small dollar amounts compared to the magnitude of the state budget.

Mr. Mohlenkamp assured the Committee that the Budget Division would work with the agencies to improve processes wherever possible to ensure that the work programs would be processed appropriately.

Chairwoman Smith thanked Mr. Mohlenkamp and assured him that the Committee was only bringing attention to the problem in an effort to have everyone work together to minimize similar circumstances. She said Committee members were mindful of the fact that reduced staff and staff turnover had made it difficult for agencies to keep up with workloads. Everyone's goal was to protect taxpayer dollars in the most efficient manner possible.

Mr. Mohlenkamp thanked Chairwoman Smith for her comments, adding that he respected the legislative process and its role to ensure guidelines and rules were being followed. He acknowledged that there had been significant fiscal staff turnover, as well as retirements, and the Budget Division and the Fiscal Analysis Division had a significant number of new analysts.

Chairwoman Smith asked for questions or comments from the Committee; there were none. She again thanked Mr. Mohlenkamp for appearing before the Committee.

Chairwoman Smith asked Mr. Chapman to review the work programs in Agenda Item G that would be pulled for testimony and discussion. She explained that Committee members would have an opportunity to request testimony or information on additional items of interest to them.

Mike Chapman, Acting Assembly Fiscal Analyst, announced that the Committee had requested testimony on the following items in Agenda Item G: items 4 and 5, Office of the Attorney General; items 21 and 22, Department of Business and Industry, Housing Division; item 24, Department of Tourism and Cultural Affairs; item 31, Department of Health and Human Services, Health Care Financing and Policy, Nevada Medicaid, would be heard in conjunction with items 40, 41, and 42; item 36, Department of Health and Human Services, Mental Health and Developmental Services, Desert Regional Center; item 44, Department of Employment, Training and Rehabilitation, Employment Security Division; items 62 and 63, Department of Motor Vehicles, Real ID; item 64, Department of Motor Vehicles, and Agenda Item M, Highway Contingency Fund, would be heard together; item 65, Department of Motor Vehicles, Field Services; item 74, Department of Public Safety, Criminal History Repository; item 97, Department of Transportation; item 99, Office of Veterans' Services, Veterans' Home Account; and item 100, Silver State Health Insurance Exchange Administration. Mr. Chapman added there were no concerns with the requests for position reclassifications.

Items 81 and 82 were revised. They involved transfers of General Funds from the Department of Conservation and Natural Resources (DCNR), Division of State Parks, to DCNR, Division of Water Resources, to cover salary shortfalls in the Division of Water Resources; the transfer amounts were revised from $169,000 to $122,500. Mr. Chapman said Fiscal staff had no concerns with the revision.

Items 32 and 75 were withdrawn

Chairwoman Smith asked Committee members if they wished to hear testimony on additional items.

Senator Kieckhefer requested testimony on items 81 and 82, General Fund transfers from the Division of State Parks to the Division of Water Resources, Department of Conservation and Natural Resources.

> ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL OF THE REMAINING WORK PROGRAM REVISIONS AND POSITION RECLASSIFICATIONS.
>
> SENATOR DENIS SECONDED THE MOTION.

Chairwoman Smith asked for public comment on any item in Agenda Item G that was not pulled for testimony; there was none.

> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

Chairwoman Smith noted that Agenda Item I would be heard at 11:00 for audience members who might wish to return or view the presentation from the National Conference of State Legislatures.

Work Programs

1. **Office of the Governor - State Fiscal Stabilization Account - FY 2013** - Addition of ~~$5,663,616~~ ***$3,974,398*** in federal Edu-Jobs supplemental grant funds to assist local education agencies in saving or creating education jobs and helping to ensure that America's students are prepared to succeed in college and careers. Requires Interim Finance approval since the amount added to the Edu-Jobs category exceeds $75,000. **RELATES TO ITEM 17. Work Program #C24453. REVISED 8-6-12.**

   Refer to motion for approval under Agenda Item G.

2. **Office of the Governor - Office of Energy - Energy Conservation - FY 2013** - Addition of $599,415 in Nevada Rooftop Solar Initiative (NRSI) grant funds and deletion of $94,237 in Transfer from Programs funds to increase and strengthen the residential and commercial rooftop solar market. Requires Interim Finance approval since the amount added to the NRSI Cooperative Agreement category exceeds $75,000. **Work Program #C24207**

   Refer to motion for approval under Agenda Item G.

3. **Office of the Governor - Office of Energy - Energy Conservation - FY 2013** - Addition of $3,759,908 in Solar Generations Rebate funds to continue work on the photovoltaic systems installation project within multiple Department of Corrections sites. Requires Interim Finance approval since the amount added to the Renewable Energy and Energy Projects category exceeds $75.000. **Work Program #C24245**

   Refer to motion for approval under Agenda Item G.

Chairwoman Smith announced that Agenda Items G-4 and G-5 would be heard together.

4. **Office of the Attorney General - National Settlement Administration - FY 2013** - Addition of $57,368,430 in National Mortgage Settlement Income and $57,368 in Treasurer's Interest Distribution to establish a Nevada Multistate Unit dedicated to overseeing the distribution of Nevada's portion of the National Mortgage Settlement and add one Chief Deputy Attorney General, one Legal Researcher/Paralegal, ***and*** one Grants and Projects Analyst, ~~and one forensic auditor~~. Requires Interim Finance approval since the amount added to the Financial Guidance Assistance category exceeds $75,000. **Work Program #C24300. REVISED 8-13-12.**

   Refer to testimony and motion for approval under Agenda Item G-5.

5. **Office of the Attorney General - Administrative Fund - FY 2013** - Deletion of $496,939 in federal funds from previous year and addition of $1,064,168 in federal Edward Byrne Memorial Justice Assistance Grant Program funds to support nine positions and associated costs to investigate and prosecute mortgage fraud and vacant property crimes focusing on the Las Vegas area. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $75,000. **Work Program #C24118**

Catherine Cortez Masto, State Attorney General, said she was pleased to appear before the Committee to ask for input and support concerning the use of funding received by the state as a result of the National Mortgage Settlement.

General Masto explained the Housing Counseling Consortium Request dated June 22, 2012 (Exhibit C) was instrumental in the state's mortgage settlement process. The request involved a $9 million proposal for allocation of funds for housing assistance counselors, and she would be referring to the Consortium throughout her presentation.

General Masto said because most people did not understand what was in the National Mortgage Multi-State Settlement, she wanted to provide a high-level perspective of what was occurring in Nevada with respect to the programs and remedies that were available to the state's homeowners. Her office still received calls everyday from homeowners asking where they could go to seek assistance because they were potentially losing their homes and were not aware of the programs available to them. She said there were a number of programs available, and the goal was to try to bring all of the programs and resources for helping homeowners together in order to communicate, collaborate, and ultimately create a one-stop shop for the state's homeowners.

General Masto explained Nevada also qualified for the federal Hardest Hit Fund Program, which would provide federal funds to the state to assist homeowners. The Hardest Hit Fund Program would be administered by the Nevada Affordable Housing Assistance Corporation (NAHAC), which also had various programs to help homeowners.

In March 2012, the National Mortgage Settlement funds were awarded to the states to provide additional relief for homeowners. General Masto would outline the provisions of the settlement for the Committee using a PowerPoint presentation, *The National Mortgage Settlement,* Bureau of Consumer Protection, Office of the Attorney General (Exhibit D).

General Masto noted that a second PowerPoint presentation had been distributed to Committee members, *Introduction to the National Mortgage Servicing Settlement*, August 7, 2012, Office of Housing Counseling, U.S. Department of Housing and Urban Development (HUD) (Exhibit E). She said the HUD presentation was prepared for the HUD-certified housing counselors to provide them training and understanding of what was in the national settlement.

Following is a summary of Attorney General Masto's PowerPoint presentation (Exhibit D) and her remarks concerning the National Mortgage Settlement.

Multistate Settlement (page 1):

For the first time in the history of the country, the State Attorneys General (AGs) and their federal counterparts came together to engage in a national settlement. The previous tobacco settlement involved only the State Attorneys General.

The settlement start date was March 2012 when the documents were entered into court. The investigation involved five national banks:

- Bank of America
- Citi
- Chase
- Wells Fargo
- Ally (GMAC)

The settlement involved the banks, but any third-party vendors working with the banks also had to comply with the terms of the settlement.

The Multistate Settlement Does NOT Release (page 2):

The important issues that were addressed by the Attorneys General in the multi-state settlement were the servicing and lack of servicing throughout the states. People were required to submit 10 or 12 documents just to learn whether they were eligible for a loan modification; they could be in the middle of a loan modification and suddenly have their house foreclosed upon because they were on a dual track; or they were referred to 10 different people who gave different information. This was a common complaint received by all of the AG's offices in 2008 and 2009.

An important part of the settlement was to change the banks' servicing standards conduct. The other part of the settlement involved robo-signing activities that occurred, not just in Nevada, but across the country. The AGs wanted to change the conduct for the robo signing as well, and they entered into the settlement because those areas were addressed. Under the terms of the National Mortgage Settlement, the AGs could no longer sue the banks for any type of servicing standard or robo-signing violations unless it was a violation of the settlement.

The AGs still had the ability to sue the five banks or their third-party vendors based on a number of activities, including criminal activity. Nevada's multistate task force, which had a criminal and a civil side, was engaged in criminal activity, one of which was against a third-party vendor for robo signing.

Settlement Provisions (page 3):

The settlement involved $25 billion dollars nationally, allocated as follows:

- Loss Mitigation Menu ($17 billion). Servicers must work off $17 billion in principal reduction and other forms of loss mitigation relief nationwide.

- Refinances ($3 billion). Refinancing for those individuals who were underwater but still making payments. It was true that 70 percent of the state's homeowners were underwater, but many could still make payments.

- Borrower Payments ($1.5 billion). Individuals foreclosed upon during a certain time period could apply for a cash payment of up to $2,000.

- Payments to the States. In Nevada, the payment was $57 million – a cash payment to use for the benefit of the homeowners in supporting the housing council, legal aid, and foreclosure mitigation programs.

- Oversight. An independent monitor was included to oversee the national settlement, and there was a monitoring committee, which Nevada sat on, to monitor whether the banks were complying with the settlement.

- Servicing Standards. The change-of-conduct piece of the settlement was very important. The banks had to change their conduct for servicing, robo signing, short sales, and other activities.

Loss Mitigation Menu (pages 4-5):

Servicers would receive "credits" for modifying loans or performing other loss mitigation – $17 billion nationally and $1.3 billion in Nevada.

The Relief Menu included the following activities:

- Principal reduction (first and second liens)
- Facilitation of short sales
- Unemployment payment forbearance or forgiveness
- Relocation assistance
- Deficiency waivers
- Funding for remediation of blighted properties
- Service-member short sale program

The settlement activities were already resulting in more principal reductions, more short sales, less foreclosure activity, and more attempts to keep people in their homes. The banks had three years to comply with the settlement. Under the terms of the settlement, 75 percent of the activity must occur within the first two years or the bank would be in violation of the terms of the settlement. Continued monitoring of the program was important to ensure the banks were in compliance.

New Refinance Program (page 6):

Program to provide $3 billion nationally for refinancing. In Nevada, the amount was approximately $57 million. The criteria were very strict for a homeowner to be able to receive refinancing under the program.

Attorney General Masto explained the banks were soliciting homeowners to determine whether they were eligible for the loss mitigation programs. A homeowner could not call a bank and ask to apply for the funds. She said the banks were required to solicit those people in their portfolios who they knew would benefit under the terms of the settlement.

However, General Masto added, homeowners could contact her office and provide their information, which her office would share with the banks. The banks would retain the homeowners' information and hold them as interested parties to see whether they would comply with the terms of the settlement. However, the solicitation must come from the banks because they knew their own portfolios and borrowers, and they knew which ones would comply. General Masto said the banks had to provide quarterly reports to the Attorney General's Office. The first report should be received the end of August.

Borrower Payments (page 7):

$1.5 billion for homeowners nationwide who were foreclosed upon between January 1, 2008, and December 31, 2011. Regardless of the reason for the foreclosure, the homeowner could apply for a cash payment of up to $2,000. This program was administered by the states. Because Nevada was on the monitoring committee, the AG's Office was involved in the program; an independent third party was just hired to work with the AG's Office to administer the cash payments. It was an application process for qualified homeowners, and the funds were first-come first-served nationally.

Payments to States (page 8):

$57 million cash payment to Nevada. The fund would be an interest-bearing account. It was necessary to be very specific in the judgment as to how the money was to be spent. In Nevada, the court judgment said the money was to be used to:

- Avoid preventable foreclosure.
- Ameliorate the effects of the mortgage and foreclosure crisis in Nevada.
- Enhance consumer protection and legal aid efforts.
- Enhance consumer financial and housing counseling assistance, including economic education and/or instruction on financial literacy for the benefit of Nevada residents.
- Enhance law enforcement efforts to investigate, prosecute, and prevent financial fraud or unfair deceptive acts or practices at the sole discretion of the Attorney General.

Attorney General Oversight (page 9):

The settlement would be monitored by an independent monitor who would oversee the banks and report to the monitoring committee of the states. The monitor was Joseph Smith, North Carolina Commissioner of Banks. His first report was due to the monitoring committee the end of August.

Servicing Standards (pages 10-23):

There were many provisions with respect to the servicing standards:

- Loss Mitigation
- Short-Sale Timeline
- Loan Modification Timeline (first liens)
- Loan Modifications
- Loan Modification Appeals
- Dual Track
- Foreclosure
- Pleadings and Affidavits
- Collection of Costs/Fees

Attorney General Masto explained that during loss mitigation, the homeowner had to have a single point of contact (SPOC). The homeowner's servicer must have only one person talking with that homeowner. Homeowners were previously being transferred to many different people, their applications were getting lost, and they were receiving conflicting information.

The short-sale timeline was important to General Masto because she was hearing that Nevada homeowners were trying to do short sales but they could never get an answer from the banks; the process would sometimes drag out for a year or longer. The servicers now had to engage in the short-sale timeline. Once the servicer received the completed application for a short sale, a decision must be made within 30 days. The goal was to provide a timely answer to homeowners who were fighting to save their homes. The banks must provide an answer in order for homeowners to make a decision about their homes.

General Masto explained the dual track servicing standards were also important for Nevada. A homeowner would be told by the bank that a loan modification was in process and then the next day the homeowner would receive a notice of foreclosure. The banks had two separate processes. As soon as a homeowner was distressed, his mortgage would go down two separate tracks: one would be a loan modification if the borrower was contacted, the other was an automatic foreclosure, and the two never talked. A homeowner might be working on a loan modification with someone in another state who had no contact with the foreclosure section. Two separate tracks, no communication, and the foreclosure went through regardless of the phase of the loan modification process. General Masto said this part of the servicing standards was to stop that dual track process.

- Servicing Standards for Foreclosure. Required information before a borrower can be foreclosed upon:

  - Pre-referral letter sent to borrower at least 14 days before referral to foreclosure must include more information concerning the loan and foreclosure process so that the borrower could make decisions.
  - Post-referral letter sent to borrower within five business days of referral, soliciting borrower to apply for loss mitigation.

- Pleadings and Affidavits:

  - In documents filed with the court, factual assertions must be accurate and complete.
  - Affidavits must be based on personal knowledge.
  - Affidavits must identify affiant, affiant's employer, and affiant's title
  - Servicer must replace faulty affidavits with new affidavits and provide written notice to borrower/counsel.
  - If the original note was lost, servicer must comply with applicable law to establish ownership and right to enforce.
  - Mortgage assignments executed by/on behalf of servicer must:

    - Be executed with appropriate legal authority and
    - Accurately reflect the completed transaction.

  - Servicers must ensure that all information provided to third-party vendors in connection with loan servicing activities was accurate.

Attorney General Masto explained the servicing conduct was part of the discussion with the Legislature concerning robo-signing activity that the Attorney General's Office was seeing statewide. The banks must have personal knowledge of the affidavit, and the third-party vendor had to comply with the requirement, regardless of whether it was in state law. General Masto pointed out that there currently was no provision in Nevada law that would prevent a bank from legally foreclosing on a homeowner, but the robo-signing activity had been stopped.

Continuing, General Masto said many changes had occurred since negotiation of the National Mortgage Settlement, and because of the settlement, everyone was fighting to keep homeowners in their homes. The banks were trying to work with the homeowners to stay in their homes if possible or to assist them in moving to the next step. The banks were now engaging in homeowner remediation and loan modifications. General Masto did not anticipate that the state would see the level of foreclosures and defaults that existed one or two years ago.

Bank of America Settlement (page 24):

General Masto explained the State of Nevada had filed a separate lawsuit against the Bank of America (B of A) for its lack of servicing standards and violations of what her office believed were unfair deceptive trade practices. Because B of A was part of the National Mortgage Settlement, General Masto would not sign on to the national settlement unless the state's litigation against B of A was settled. She wanted to ensure that there were funds specific to Nevada from B of A to help homeowners. The provisions of the settlement were:

- Nevada would receive an additional $30 million cash payment to assist homeowners.
- Specific solicitation of Nevada borrowers for principal reduction.
- Re-solicitation of the National Home Retention Program (NHRP) population.
- Nevada to become a member on the national monitoring committee.
- B of A guaranty to undertake at least $750 million in loan modifications, first and second lien reductions, and other assistance as part of the multistate settlement specifically in Nevada.
- Nevada to receive enhanced reporting above and beyond the multistate reporting.
- Enforceable in Nevada State Court.

The National Mortgage Settlement was filed in Washington, D.C., and if a state had concerns that one of the banks had violated a term of the settlement, an action had to be filed in Washington. However, the Attorney General's Office had the ability to hold Bank of America accountable in Nevada.

In summary, Attorney General Masto said Nevada would receive $87 million to assist homeowners. She had made a commitment to the Governor and several legislators that she would consult them and solicit their input and recommendations on how the funds could be used to benefit the homeowners of Nevada.

General Masto recommended that a portion of the first phase of funding be used to create a one-stop shop for the next three years to help homeowners. The Housing and

Urban Development (HUD) certified housing counselors in the state were doing a tremendous job helping distressed homeowners; they were experienced, their assistance was free, and they talked to their clients face-to-face. General Masto thought a good way to leverage existing resources would be to bring the HUD-certified counselors together to determine how to better help homeowners in the state.

In addition, the Hardest Hit Fund (HHF) and the Nevada Affordable Housing Assistance Corporation (NAHAC) were instrumental programs in Nevada and would need to be included in the process. Legal-aid service organizations that provided training, counseling, and free legal services to the homeowners would also be an important partner. General Masto said meetings were held in March and April with all of the resources, and she asked them to prepare a proposal on how best to use the fund to create a one-stop shop.

Chairwoman Smith suggested the presentation be broken up into two sections, and she asked for questions from the Committee specifically on the National Mortgage Settlement.

Assemblyman Anderson asked whether the Attorney General's Office would be available to conduct informational meetings in the rural areas. Some of the constituents in those areas were concerned about the issue and would appreciate hearing the information. General Masto replied her office would absolutely be willing to make those presentations.

Senator Horsford said he appreciated the Attorney General's leadership on the multistate mortgage settlement over the past year to reach an outcome that would help the citizens of Nevada. Nevada had been the hardest hit state in the housing crisis, and with her leadership and advocacy, he hoped the state would be first among the states to benefit from the settlement.

Senator Horsford recalled that General Masto had indicated that the banks would contact the borrowers who may be eligible under the program and the banks would be held accountable through reporting. He asked her to elaborate on what kinds of reports would be received from the banks. He wondered whether there would be a way to determine if the banks were selecting borrowers that they felt would be more desirable than others, and he asked when the solicitation process for refinancing would begin. He noted that aside from the homeowners who had lost their homes or who were in loan modification, the largest group of homeowners who could benefit from the settlement consisted of those who were refinancing their homes. He believed that having to rely on the banks to inform the homeowners seemed awkward, and he suspected homeowners might not trust a notice from the bank without knowing it was a part of the settlement.

Attorney General Masto replied the solicitation would come from the banks for the first two programs, the $17 billion and $3 billion in refinancing funds. She said all of the Attorneys General were also suspicious of the process, but the states did not have access to banks' data; the banks knew which borrowers in their portfolios might be eligible. She still had concerns with having to rely on the banks to keep the states informed, which was why the national monitoring consortium would be her independent assessment of the banks' activities.

General Masto agreed that the homeowners might not trust information from the banks because there was homeowner fatigue, and rightfully so. Her office had received calls from homeowners asking whether the information they were receiving was legitimate. Part of the Nevada Housing Counseling Consortium would involve working with the HUD-certified housing counselors and NAHAC to train them on the national settlement so they could verify to their callers that the information from the banks was legitimate. General Masto noted there were already scams in the state focusing on this type of activity, and her office had received complaints from homeowners who had received letters that were supposedly from a bank.

General Masto stated that an important part of the settlement would be the public relations outreach to advise homeowners where they needed to go or call to confirm that the information they received was accurate. She said if in doubt, the homeowner should always call the bank to verify any information received. General Masto asked Ernest Figueroa to provide the Committee with the status of the monitoring committee.

Ernest Figueroa, Chief Deputy Attorney General, Bureau of Consumer Protection, Office of the Attorney General, explained the monitoring committee, which consisted of members from the states and representatives of HUD and the Department of Justice, was in a series of negotiations with the banks to determine what the monitoring reports would include. There was not yet a final agreement as to what information the reports would include and what would be publicly available when the reports were disseminated. Mr. Figueroa assured the Committee that every member of the monitoring committee and the federal representatives had the same viewpoint, which was that there was a trust factor, and appropriate information was needed in the reports to ascertain whether the banks were complying with the multistate settlement.

Senator Horsford asked when the solicitation process for refinancing from the banks would begin.

Mr. Figueroa replied that the solicitation began on March 6, 2012. Due to technicalities associated with a certain pool of loans that were eligible under the requirements, the banks had to self-assess what loans in the pool would qualify for this particular portion of the settlement. One of the caveats was that, given the way the loans were created and serviced by the banks, not all loans would be eligible. Each pool of loans would have to be vetted to determine whether the banks had authority to offer the refinancing program. Mr. Figueroa said some solicitation had taken place, but it was an ongoing program.

Mr. Figueroa added that the cash-payment borrower program had not yet begun. In administering the $1.5 billion payment to those who were foreclosed upon, the multistate committee had hired the services of a third-party administrator to set up the appropriate infrastructure to distribute the funds nationally. He anticipated there would be a formal announcement by the third-party administrator within the next three weeks.

General Masto added that outreach, which was built into the work program being submitted for approval at this meeting, would clearly be key for the program and the homeowners.

Senator Horsford recalled that the Bank of America (B of A) assumed loans from Countrywide and then later had to divest because of anti-trust issues. If a loan was originated by B of A, he asked whether the settlement would apply even though B of A might have since sold the loan. Senator Horsford noted that many transactions had taken place during that period of time.

Attorney General Masto replied for purposes of the settlement, only the mortgages that the banks owned and held in their own portfolios would be affected. Mortgages that banks serviced for another institution, such as Fannie Mae and Freddie Mac, which held 60 percent of the mortgages in Nevada, would not be part of the settlement.

With regard to loans that may have been originated by one of the settling banks early on and were no longer serviced by that bank, Mr. Figueroa said there were ongoing negotiations with the next top 14 servicers to obtain a similar settlement. If a loan was no longer serviced by B of A and was being serviced by an entity that was not a settlement party, then the loan would not be eligible under the terms of the settlement. He remained hopeful that the situation may change in the future.

Senator Horsford disclosed that he served as a non-paid board member on one of the approved housing counseling boards; he had no financial interest and it would not affect his vote.

Senator Kieckhefer asked General Masto to clarify the meaning of the Payments to Nevada section (page 25 of Exhibit D), which read:

> Funds shall be directed to the Nevada Attorney General to be deposited into an account and used for the following purposes:
>
> - avoiding preventable foreclosure,
> - ameliorating the effects of the mortgage and foreclosure crisis in Nevada,
> - enhance consumer protection and legal aid efforts,
> - enhance consumer financial and housing counseling assistance including economic education and/or instruction on financial literacy for the benefit of Nevada residents,

- enhance law enforcement efforts to investigate, prosecute, and prevent financial fraud or unfair deceptive acts or practices, at the sole discretion of the Attorney General.

He wondered if the phrase "at the sole discretion of the Attorney General" applied to all of the listed purposes or just for the last one, "enhance law enforcement efforts . . . ."

Attorney General Masto replied the intent across the country was that the funds would be expended for all of the listed purposes at the sole discretion of the Attorneys General. She had already made a commitment that none of the money would be expended without support of the Governor and the Legislature. She added it was ultimately the Legislature's legal authority to determine how the money would be spent.

Senator Cegavske asked who funded the legal team that represented Nevada. General Masto replied all of the attorneys and support staff that worked on the national settlement were staff of the Attorney General's Office; there were no independent law firms involved in the national settlement.

Senator Cegavske asked whether records were kept of the time and costs of the settlement efforts. General Masto replied records were kept, and the information would be compiled and provided to the Committee. She noted the process transpired over at least three years.

Senator Cegavske asked how many states participated in the lawsuit. General Masto replied 49 states were involved.

Senator Cegavske asked whether the Attorney General had presented actual Nevada homeowners' cases to claim damages in the lawsuit. General Masto replied yes, the basis of everything involved in the national settlement and continuing into some separate litigation was complaint driven. The AG's Office had been inundated with complaints surrounding all types of mortgage fraud, in particular a number of servicing standard complaints. Numerous complaints were also received when robo signing became a problem.

Senator Cegavske asked whether constituents' names were used in the litigation. General Masto replied names were not used. Because it was a multistate suit, it was based around areas of law that were alleged to have been violated, which were unfair and deceptive trade practices across the country. It was not necessary to bring forth specific complaints for that purpose. However, she added, when she talked with some of the banks, complaints from specific named individuals in the state were brought forth.

Assemblyman Hambrick asked if pursuing a violation under the settlement agreement would involve a lengthy process. General Masto replied because it was a court-ordered settlement, the states could go back into court immediately if there was an allegation of violation.

Assemblyman Goicoechea asked whether he understood correctly that the state had $20 billion, and the banks would determine whether loans were eligible for modification or refinancing. Attorney General Masto replied yes, in the big picture. However, there were specific metrics and criteria defined in the larger settlement, and she would be willing to review those at another time. In Nevada, the loan-to-value ratio was 150 percent or more, and the state's homeowners did not qualify for some of the existing programs. She wanted to ensure, based on some of the eligibility criteria, that Nevada homeowners would receive funding. The Attorneys General fought for specific criteria, including loan-to-value ratios and debt ratios, to broaden the pool of individuals who would comply. General Masto said the banks had to follow a menu of criteria to ensure eligibility of the homeowners, and if they violated the criteria, the AGs would take them back to court.

Assemblyman Goicoechea affirmed that as long as the banks met the criteria established in the settlement agreement, they would ultimately make the determination of eligibility. Since 60 percent of the loans in Nevada were Fannie Mae or Freddie Mac, technically 40 percent of the loans in Nevada were involved. General Masto said he was correct.

Assemblyman Goicoechea observed the settlement with the Bank of America was $750 million and $30 million had been allocated to the state. He asked whether the $30 million could only be used for B of A loans or if it could be used for other institutions.

General Masto clarified that the $30 million did not come from the $750 million B of A award. It was a cash payment to be used for the same purposes as the $57 million received from the national settlement, and it was not specific to Bank of America borrowers.

Assemblyman Goicoechea observed the state had $30 million to begin the program; he asked whether the $57 million would be needed over the next six months since only 40 percent of the loans in Nevada were involved. He was concerned that there was not an absolute number of homeowners involved.

Senator Cegavske asked whether the $57 million and $30 million would be paid in one payment or in installments. General Masto replied both amounts would be paid in lump sums under the terms of the settlement.

Chairwoman Smith asked Attorney General Masto to address the work program request before the Committee, Agenda Item G-4.

General Masto referred to Exhibit C, the Nevada Housing Counseling Consortium proposal, and noted that all of the Consortium groups in the state were listed, including HUD-certified housing counselors and legal services programs:

- Chicanos Por La Causa
- Community Services of Nevada
- Financial Guidance Center (statewide)
- Housing for Nevada
- Neighborhood Housing Services of Southern Nevada
- Nevada Legal Services (statewide)
- Nevada Partners, Inc.
- Women's Development Center
- Springboard
- Nova Debt
- Washoe Senior Law Project

General Masto said the goal was to bring everyone together to provide services to homeowners statewide. She referred the Committee to Exhibit F, Homeowners' Assistance Flow Chart, which reflected how the program would work. Outreach to homeowners was of key importance, so part of the $30 million would be used for a public relations program to provide information to homeowners.

Attorney General Masto further explained there would be a hotline for homeowners to call to seek assistance. The Nevada Affordable Housing Assistance Corporation (NAHAC) would triage the initial calls; NAHAC had an existing call center for its programs, as well as a software platform that was currently working with some of the HUD-certified housing counselors. General Masto pointed out the Consortium was attempting to leverage existing resources rather than create anything new. Part of the funding would be used for NAHAC to expand its call center to take more calls from homeowners and expand its relationships with all of the HUD-certified housing counselors in the state. To do that, the software program, Springboard, needed to be enhanced, which was also part of the proposal.

Continuing, General Masto explained NAHAC would triage the call, and based on its criteria, determine whether the homeowner qualified for one of the Hardest Hit Fund programs. If the homeowner was not eligible, he would be referred to one of the HUD housing counselor agencies previously listed.

General Masto said because NAHAC and the HUD-certified counselors were working with the AG's Office and legal aid services, any suspicious fraudulent activities would be referred to her office. If the homeowner needed legal assistance and could not afford an attorney, he would be referred to a free legal aid services agency.

Attorney General Masto referred the Committee to Exhibit G, Organizational Chart – Administration. She said because the program was new and the Attorney General's Office did not have the resources to administer $57 million, and potentially $87 million, it was decided to seek requests for proposals (RFPs) from groups that might want to administer the program. One of the RFPs received was from the Financial Guidance Center, and based on its analysis and proposal, it was selected to assist the AG's Office in administration of the program. General Masto explained the money would be allocated to the state, and the state would have to subgrant the funds to the HUD-certified housing counselors to support their needs based on the anticipated increased number of homeowners that would be calling.

In addition, General Masto continued, the HUD-certified counselors would need to be monitored to ensure that they were helping the homeowners in the manner that was anticipated by the Consortium, and performance measures would need to be developed for that purpose.

General Masto explained that Agenda Item G-4 included a request for $9 million for the combination of the proposal from the Consortium, the administration, the public relations component, and the proposal from the Financial Guidance Center to administer the program. A total amount of $11.7 million was being requested for National Mortgage Settlement administration in the Attorney General's Office, allocated as follows:

$9,461,629	Financial guidance assistance
$ 569,828	NAHAC call center enhancement
$1,168,823	Legal aid assistance for new borrowers statewide
$ 159,737	One Forensic Auditor to enhance the AG's Mortgage Fraud Task Force
$ 311,196	Creation of the new Multistate Unit in the AG's Office, to include two positions, a Legal Researcher and a Grants Analyst
$ 87,123	Operating costs, furniture, fixtures, and equipment

General Masto explained the budget was developed over a three-year period. From the $57 million, $11.7 million was budgeted in the first year to get the program up and running. Years two and three were each budgeted at $10.8 million. She said that during the first year of operation, the AG's Office would be able to assess the need based on homeowners' calls. If the calls were not at the level anticipated or they decreased over the second or third year, the funding would not necessarily be used. A process would be put in place in her office to monitor the funds and the need, and if the need decreased or was not at the projected level, the funding would not be allocated to the various programs helping homeowners.

In summary, Attorney General Masto said her goal was twofold: to help homeowners in the state with financial guidance and assistance and to deter fraudulent mortgage assistance activities. She said if homeowners could be directed to the Nevada Housing Counseling Consortium for free assistance, she hoped to see fewer complaints coming into her office and a decrease in mortgage fraud. She believed this would be possible through all agencies across the state working together to assist homeowners with consistent and reliable information.

General Masto added that her biggest concern was that the banks engaging in remediation for homeowners might assume the AG's Office could not independently verify that they were doing what they were supposed to be doing. However, she was confident that oversight by her office would provide an opportunity to independently verify that what the banks claimed they were doing to help homeowners was actually occurring. General Masto noted that she had been told by some HUD-certified counselors that some homeowners had already received principal reductions because of the national settlement.

General Masto said establishing the process was the first step, and she would return to the Committee in December with phase 2. Phase 1 was to get the program up and running, get help to the homeowners, and allocate funds to the housing counselors and legal aid agencies to assist homeowners. Phase 2 would involve setting up an advisory council in the Attorney General's Office, which in addition to herself, would consist of the Director of the Department of Business and Industry, representatives from the realtor's association and the credit union, a mortgage broker, an economist, and a new-home builder. The advisory council would review the applications for assistance for neighborhood stabilization, neighborhood blight, refinancing programs, ways to leverage funds to help homeowners in the future, a study of the real estate market, and a number of other proposals. The council would review proposals and make recommendations to the Governor and the Legislature for use of the remainder of the money.

General Masto said the cost of the Nevada Housing Counseling Consortium, if approved for at least three years, would be $33 million, one third of the total amount coming to the state, leaving a balance of $50 million for assistance to homeowners.

Attorney General Masto offered to answer questions from the Committee.

Chairwoman Smith said she appreciated both presentations; the level of detail was helpful to the Committee's understanding of the National Mortgage Settlement and the request for funds.

Assemblyman Grady said he was often asked why there were no assistance organizations in the rural counties. He had been referring calls from constituents directly to the Attorney General's Office. He asked if there was any assurance that some of the rural areas would be included in the program.

General Masto responded that Lyon County had been one of the hardest hit areas in the state. If Lyon County was not currently being served by one of the housing agencies, she said the matter would be addressed to ensure that services were provided in the rural counties.

Anna Marie Johnson, Executive Director, Nevada Legal Services (NLS), testified that Nevada Legal Services was serving the rural counties. She said the majority of NLS staff were located in the Reno office, which served all areas outside of Clark, Nye, Esmeralda, and Lincoln Counties, and there was an office in Elko that served the Elko area. Ms. Johnson said Nevada Legal Services staff were in the rural counties on a monthly basis to meet with people. The meeting location differed from county to county – it could be at the senior center, the county resource center, or another location.

Ms. Johnson said homeowner mortgage counseling services were provided to clients in all rural counties except Elko, which had not been affected by the foreclosure problem.

Ms. Johnson explained Nevada Legal Services was a small organization with only six attorneys to serve the entire rural area, and only a limited number of people could be accepted for assistance at any given time. She said between 3,000 and 4,000 people who called for assistance were turned away because of lack of resources. The agency was involved in a variety of activities, and it was necessary to set priorities. Ms. Johnson said the funding from the settlement and assistance from the Attorney General's Office would help to meet with and assist those homeowners being turned away. She added that the Financial Guidance Center was also a statewide program with offices in the northern and southern parts of the state that offered assistance in the rural counties as well.

Chairwoman Smith asked Ms. Johnson to provide contact and program information to the rural legislators and/or the Committee's Fiscal staff by email so that they could refer constituents to Nevada Legal Services. Ms. Johnson agreed to do so.

Assemblyman Anderson said he understood that NAHAC would be charged with implementing the call center. He considered the call center a very important link to this issue because the center would be directing callers for assistance. He noted that the issue was very complex, and most constituents would be overwhelmed with the information. He asked what kind of training would be provided to the counselors in the call center.

Attorney General Masto replied training had been ongoing; the call center would expand caller capacity, and the national settlement information would be added to the menu of available programs. She asked Candace Kelly from NAHAC to provide further information.

Candace Kelly, Executive Director, Nevada Affordable Housing Assistance Corporation (NAHAC), said that the call center staff would be well versed in several different talking points concerning the Attorney General's settlement, but basically NAHAC's main role would be as liaison between the homeowners showing interest in the NAHAC program or the AG settlement funds and those HUD counseling agencies participating in the settlement process. The HUD counseling agencies would provide the homeowners with needed information specific to their situations.

Michelle Johnson, Chief Executive Officer, Financial Guidance Center, formerly Consumer Credit Counseling Service, noted that as of the first quarter of 2012, there were over 400,000 homeowners in Clark County, and nearly 90,000 of them were delinquent in their mortgages: 59,563 homeowners were 90 days-plus delinquent, and just under 30,000 homeowners were 30 days-plus delinquent. Nearly 25 percent of the homeowners in Clark County were not making their mortgage payments on time. Ms. Johnson said she only had statistics for Clark County, but the information could be gathered for the entire state.

Ms. Johnson said the statistics were representative of the challenges of the housing situation, and even though the number of notices of default leading to foreclosure had declined dramatically, the need was by no means gone. She believed the need could be met through Attorney General Masto's proposal. Ms. Johnson noted that bringing all of the HUD-approved housing counseling agencies in the state together was a first. The Financial Guidance Center had offices in the north and the south, and having HUD approval provided the consumer several things: (1) assistance at no cost, (2) accurate and truthful information about the programs, and (3) the ability to either find resolution or transition or help the homeowner control the transition rather than the lender controlling it.

Ms. Johnson pointed out that having one point of contact was very important, hence leveraging what NAHAC had already done with the Hardest Hit Fund Program and providing an 800 number statewide that everyone could call knowing that they would get an answer from a live person. Callers would first be screened for Hardest Hit Funds; a number of people eligible for those funds had automatically discounted themselves. After homeowners were given the opportunity to qualify for the Hardest Hit Fund Program, they would be transferred to one of the HUD counseling agencies. Ms. Johnson said the additional funding from the settlement would allow:

- Increased capacity; hours and days of service would be increased.
- Assurance that the homeowner would have face-to-face contact with a competent, comprehensively trained housing counselor.
- The ability to counsel homeowners by telephone if that was their choice.

Ms. Johnson said because Attorney General Masto was so expansive in her vision of the program, she would allow discussion not only about the national settlement program, but about other programs as well. Ms. Johnson noted that the Financial Guidance Center had programs with Fannie Mae, Freddie Mac, and other lenders, and the Center could assist homeowners in packaging loan requests and submitting them to lenders. There were numerous other federal programs available, and navigating through them was an extremely challenging process. Ms. Johnson said the Financial Guidance Center counselors would have knowledge of all of the programs, and the consumer may actually be eligible to participate in three or four different programs. Homeowners seeking assistance would only have to place one phone call to the NAHAC call center to access assistance from all of the counseling agencies.

Chairwoman Smith said she was glad to hear about the one-stop shop and point of contact. Everyone had heard constituent stories about being shuffled from one place to another, not receiving return calls, and receiving incorrect information. The constituents would greatly benefit from that one improvement alone.

Assemblyman Anderson asked whether NAHAC had a fail-safe system in the event a counselor could not answer a constituent's question.

Ms. Johnson replied the caller would be transferred through NAHAC directly to a housing counseling agency. There was also a partnership with Nevada Legal Services for clients with difficult problems that could not be addressed by the housing counselors. She noted sometimes it was challenging to assist a consumer initially because of lack of information; it would be a matter of intake and then assessment of which available programs would benefit the homeowner.

Ms. Johnson went on to explain that all of current counselors at the Financial Guidance Center had received extensive education. Neighborworks America was the known and respected leader in housing counseling training, and it would provide onsite education to ensure that new staff at all housing counseling agencies would be comprehensively trained.

Assemblyman Hardy asked why the state 2-1-1 call center could not be used for the program and why the program could not be evaluated in one year rather than three.

Attorney General Masto replied the Committee could determine the evaluation period, but she would recommend at least two years to get the program up and running and a year to monitor the data. She believed a three-year commitment would help homeowners through the process, and she was concerned that the housing crisis would not end within three years. General Masto said the settlement funds were budgeted over three years and would be monitored based on need as the program progressed.

General Masto explained the 2-1-1 call service provided a different service. The NAHAC call center was already up and running, and it was specific to homeowner assistance.

Ms. Johnson said she understood that 2-1-1 would need to become its own 501c in the near future, and if it did not, 2-1-1 may cease to exist. She explained that the 2-1-1 call center did a brief intake; demographic information was gathered and referrals were made from a large catalog of resources. There was no structured evaluation to determine the consumer's need. If the 2-1-1 center were selected to participate, it would have to increase human resources and technological capacity. She said the benefit of NAHAC was that it administered the Hardest Hit Fund Program and it was already working with the HUD housing counselors; all were in the same realm, which was to find solutions to housing problems.

Chairwoman Smith explained that the idea of 2-1-1 had always been that it would be a referral service; it would not provide actual informational services.

Assemblywoman Bustamante Adams said she would be interested to learn at a later time about the public relations campaign. She represented Chinatown and was concerned about how information would be spread to diverse consumers in the state. She asked how the agencies were selected. She noted that Nevada Partners was listed, but it was not one of the agencies that had HUD counselors; she did not understand its role. She asked which counseling entity had the capacity to reach out to the multi-lingual population in the state.

General Masto referred Assemblywoman Bustamante Adams to Exhibit H, *Nevada Foreclosure Settlement Program Outreach Campaign, Summary of Activities*, which was created by BRAINtrust, a firm hired by the group that analyzed all of the proposals (she was not part of that process). She was also concerned with reaching out to all minority communities, specifically with respect to the BRAINtrust proposal. She was aware that in addition to the Hispanic community, the Asian community was a concern for housing counselors.

Ms. Johnson explained that a HUD-approved counseling agency could choose which services it provided. Nevada Partners conducted an incredible down-payment assistance program for first-time homebuyers; it had not chosen to provide foreclosure prevention. Nevada Partners was now included because it had the ability to expand and become involved.

Regarding minority communities, Ms. Johnson said that every HUD agency had Spanish-speaking staff. One of the important parts of the RFP to the public relations firms was specifically how they would reach the rural and minority communities. BRAINtrust had addressed both issues completely, and its staff would be available to meet the needs of the minority populations. She said some firms' proposals were eliminated because they did not adequately address the minority populations.

Assemblyman Hickey said he appreciated that the public relations component was part of the settlement. He noted that the banks were also attempting to inform constituents about the various programs available to the public, but they had not been very effective. He hoped that the public would be more responsive and willing to participate in the counseling and assistance programs. Assemblyman Hickey did not think enough members of the business community were involved in the program; he would prefer to see more participation by that sector. As an example, realtors were the point of contact for many members of the public who were trying to resolve their problems.

Assemblyman Hickey wondered whether it was appropriate for the Interim Finance Committee, which was only a representative body of the Legislature, to approve a program for three years. He would prefer to approach the program in an incremental way; he was not comfortable with the IFC signing off on a program that the legislators had just begun to learn about. He was also concerned with spending $30 million for administration of the outreach program; he noted that would not be a good percentage for a nonprofit organization. He thought the real goal was to distribute the funds to people in need, although he knew a structure had to be set up to identify the homeowners, get them involved, and make them aware of what was available. Assemblyman Hickey said $30 million seemed like a large amount to be spent on administration instead of getting the money in the hands of the people who needed it the most.

Attorney General Masto said she appreciated Assemblyman Hickey's comments. She understood his concerns; she was also concerned that the money was to be used to the benefit of homeowners. One way to assist them was to help them work through the modification process to save their homes, which was the intent of the program, or to consider other programs to do so. She believed the $87 million could be used to do both. General Masto said it was the intent of everyone who fought for the settlement to look at neighborhood stabilization programs, programs for refinancing, and programs to get the money into the hands of homeowners. However, it was also recognized that the homeowners needed assistance in walking through the modification process; they did not know the programs that were available to them. General Masto said the Consortium was one way to help homeowners walk through the process, and it was also hopefully a way of eliminating the fraud that would occur. There were agencies that could help the homeowners, and as more homeowners were steered toward that help, she believed the money should be used to build the capacity to assist them.

General Masto acknowledged it was the Legislature's decision on how the money should be used, and she would work with the Committee. From her perspective, the sooner the money was available to homeowners, the better. If assistance was not available to homeowners for another year, they would still be calling and asking for help. Funds would still be available to put in the hands of the homeowners, but she did not know what the programs would be. She had received some proposals, and she would welcome ideas from the legislators on how to get the money into the homeowners' hands. However, she believed that funds should be expended now to help homeowners work through the complicated process.

Senator Schneider said there were continuous commercials in Las Vegas advertising loan modification. He asked whether the attorneys and realtors advertising on television should be investigated for fraudulent advertising to consumers.

General Masto replied that there were some legitimate agencies providing assistance and charging for their services, but others were defrauding, and her office, based on complaints, would investigate and prosecute those cases. She did not believe there were currently enough resources to help the number of homeowners that needed help. Her goal was to steer more of those homeowners to the Consortium for free expert help, and with her office's involvement, the homeowners would not have to worry about being defrauded.

Senator Schneider noted that agencies were spending tens of thousands on television every hour to market their businesses to homeowners who were in dire straits. He questioned how the Attorney General's program could compete against that persistent advertising; the AG's Office could not afford that type of advertising.

General Masto agreed, but she could not afford to not at least try to reach some constituents by using some of the funding for public relations outreach. The program would fail without public outreach. The goal was to target homeowners who wanted and needed help and could receive it for free. She said it was good if homeowners were paying for private assistance and getting help. However, if businesses were defrauding homeowners, they would be shut down.

Senator Cegavske remarked the 2-1-1 call center was important to several legislators and it should be a part of the referral program. She asked whether a request for proposal was issued for everything involved in the settlement.

General Masto clarified that the RFP she referred to was for the public relations firm. When the Consortium came to her with its proposal on how to help homeowners, part of the proposal included a public relations outreach. The Consortium, along with staff in her office, prepared the RFP for the public relations component.

Ms. Johnson explained the RFP for the public relations firm was issued in early June 2012 with the intent to ensure applicants were Nevada-based marketing firms. Information was sent to twelve organizations. The RFP did not include a budget, and it did not specify what needed to be accomplished. In mid-June, informational meetings were scheduled with six marketing agencies that indicated interest in learning what needed to be accomplished, including the fact that it was a statewide program and it would involve minority populations. A deadline was set at the end of June for submission of proposals, and three companies responded. Ms. Johnson explained the public relations selection committee consisted of the Nevada Attorney General, Nevada Legal Services, and the Financial Guidance Center. Based on a prepared scoring sheet, the three proposals were evaluated and BRAINtrust scored the highest; it was a local company.

Senator Cegavske asked whether an RFP was issued for the other agencies included in the proposal. General Masto replied an RFP was not issued for the HUD-certified housing counselors and legal aid agencies because they were all included. She had contacted them all and asked them to provide her with proposals, after which they jointly submitted the Nevada Housing Counseling Consortium proposal to her.

Senator Cegavske asked what would happen to the proposed new staff when the money was depleted. General Masto replied the positions would be gone. The goal was to use the money to benefit the current need; hopefully in three years, the crisis would be over and the program would not be needed.

Senator Cegavske said she was having difficulty understanding the goals of the program and asked General Masto to clarify them for her. She understood the major goal was to help homeowners stay in their homes.

General Masto explained there were homeowners who were distressed and were trying to save their homes. There were various programs available to those homeowners, but they did not know the programs or where they could go to seek assistance. The purpose of the settlement was to leverage the existing housing counselors and other programs to work together to create a resource that the homeowners could call for free, and based on their circumstances, be advised of appropriate assistance programs to assist them.

Senator Cegavske noted that particular cases were brought forward during the lawsuit, and she wondered what remedies were provided to those homeowners.

General Masto explained when Nevada entered into the National Mortgage Settlement, it was not just based on receiving remedies for those specific complaints. As the Attorney General, she had parens patriae authority, which meant authority to represent the people of the state and to represent individuals who were suffering from similar types of violations. She said when her office started receiving complaints, she and her staff began to understand the violations that were occurring. However, she explained, the National Mortgage Settlement was not specific to the complaints received by her office; it was for everyone who suffered similarly. It involved a collective type of oversight and representation of the citizens of this state.

General Masto further clarified that specific individuals were not identified; the suit was based upon violations being seen collectively in the state to bring remedies back for all individuals who suffered similarly so that they could achieve some sort of remedy under the National Mortgage Settlement.

Senator Cegavske asked whether the Attorney General had contacted other state agencies that offered housing programs. General Masto replied that Terry Johnson, Director of the Department of Business and Industry, which included the Housing Division, the Mortgage Lending Division, and the Financial Institutions Division, was on the Nevada Housing Counseling Consortium's advisory council and was an integral part of the Consortium process. The Department had submitted a program for funding from the settlement funds.

Assemblyman Goicoechea affirmed that $11.7 million would start the process and fund the first year, and the state would receive $30 million from the Bank of America settlement. General Masto responded that Assemblyman Goicoechea was correct and added that another $57 million would be coming from the national settlement.

Assemblyman Goicoechea said he agreed with Assemblyman Hickey's comments; he was also concerned about funding a program beyond the next legislative session. He thought there were too many loose ends, large dollar amounts, and multiple programs that should be reviewed and approved by the full Legislature rather than the Interim Finance Committee.

Chairwoman Smith clarified that the program would come before the full Legislature in the 2013 Legislative Session. The work program being considered at this meeting did not abdicate any of the Committee's authority going forward.

Debra Crowley, Chief Financial Officer, Office of the Attorney General, stated the work program before the Committee was for the first year of the program; the second and third years would be included in the AG's 2013-2015 biennial budget to be submitted to the 2013 Legislature. She said actual program numbers and statistics would be available at that time, and it would be the Legislature's decision whether to continue the program. The current proposal was for one year of funding; the remaining settlement funds would be placed in reserve.

Assemblyman Goicoechea affirmed that the current request was for only the $11.7 million included in the work program; Ms. Crowley replied he was correct.

Senator Horsford observed that some Committee members seemed to be focusing only on the amount of $57 million, up to $87 million with the Bank of America portion, but in total there was $25 billion available on a first-come first-served basis for many if not all of the programs, which included the refinancing, loan modification, and direct assistance programs. He questioned why some members were focusing on $57 million, when the $57 million would provide assistance to homeowners now and allow them access to the $25 billion that would be available nationally. Senator Horsford said if Nevada was not first in line for the funds, they would be allocated to other states, some of which were not as severely affected by the mortgage crisis as Nevada. He questioned why the Committee would not do anything and everything now to ensure that Nevadans were able to receive their portion of the $25 billion.

Assemblyman Conklin echoed Senator Horsford's comments. He pointed out that there was an enormous amount of money being driven by the banks as a part of the master settlement; they were currently mailing information to residents informing them of the programs. The portion of the money granted to Nevada for a specific purpose, the $11.7 million, would be used to allow people to access $25 billion. But, Assemblyman Conklin noted, there were homeowners who would not qualify for anything, and they needed help to determine what would be in their best interest going forward: how to get out from under their house, how to move on with their lives, how to preserve their credit. Assemblyman Conklin said Nevada was doing a poor job as a state in delivering those services, and the HUD agencies in the current proposal were all qualified to provide those services on a daily basis. He pointed out that the $11.7 million was a short-term grant for the HUD agencies to assist homeowners needing help to find their way out of their circumstances.

Attorney General Masto stated that Assemblyman Conklin was correct; that was the intent of the proposal. The national settlement was for $25 billion available to help homeowners with loan modification relief, principal reductions, short sales, and refinancing, and the $11.7 million was specifically earmarked for HUD housing counselors and legal aid services to help homeowners through the process. She pointed out there were portions of the national settlement going toward relief for distressed homeowners, and the $11.7 million cash payment was an instrumental part of the process in all states.

General Masto explained the proposal to the Committee was to bring the HUD housing counselors, legal aid agencies, and her office together to work collaboratively to use the funding efficiently by creating a one-stop shop for homeowners and provide an outreach to homeowners to make them aware of all of the state and federal programs available.

Chairwoman Smith remarked that the sooner the state reacted and used the settlement funding for its intended purpose, the sooner the banks and communities would benefit. She noted the banks were not receiving mortgage payments, communities were filled with houses in disrepair, and taxes were not being paid. The sooner the funding was expended for the purposes for which it was intended, the more everyone – not just one segment of the population – would benefit. Chairwoman Smith did not understand why the Committee would not want to provide the needed services.

Assemblyman Hambrick asked whether homeowners would be able to receive assistance through more than one program. General Masto replied homeowners could potentially be eligible for relief from several programs, which was the reason to bring all resources together. The homeowners would be triaged based on their circumstances, and the HUD counselors would advise them to all of the programs for which they qualified.

Assemblyman Goicoechea asked General Masto to briefly review the $11.7 million work program request.

General Masto outlined the proposed budget for $11.7 million in national settlement funds:

$1.168 million	Legal services agencies throughout the state.
$9.4 million	Combination of the Consortium and Financial Guidance Center proposals to administer the program.
$569,000	Hardest Hit Fund proposal to expand its call center and software program to connect to HUD-certified counselors, legal aid agencies, and banks.
$159,000	AG's Office to reinforce and support the Mortgage Fraud Task Force unit.
$399,000	AG's Office to support the new multi-state settlement unit that would oversee the multi-state process.

Chairwoman Smith asked for further questions or comments; there were none. She asked for public comment and seeing none, she called for a motion.

ASSEMBLYMAN CONKLIN MOVED FOR APPROVAL OF AGENDA ITEMS G-4, AS AMENDED, AND G-5.

SENATOR SCHNEIDER SECONDED THE MOTION.

Senator Kieckhefer said he more clearly understood the request after the Attorney General's thorough presentation, but he was concerned with the Committee approving a request of this magnitude rather than the full Legislature. This was a major policy decision to address one of the most significant problems facing the citizens of Nevada, and it was being made by a small subset of the legislative body. He never understood it to be within the power of IFC to create a new program, which was ultimately being done. He was not comfortable with the Committee taking that role; he was aware of the need for assistance to homeowners, but he would be voting no.

Chairwoman Smith recalled that the American Reinvestment and Recovery Act (ARRA) funds were expended by the IFC when they became available and there was a need, and the contract for the Department of Tourism that was considered at the last IFC meeting and would be considered again included new revenue. She did not find expenditure of funds by the Committee to be a new concept. There had been many instances of settlement funds coming to the state with stipulations of how they could be spent, and the Committee instituted work programs to comply with the stipulations.

General Masto remarked Chairwoman Smith was correct. The funds were settlement funds and there had been cases involving funding in the past, such as Morgan Stanley, Wells Fargo, and United Health Care, that had been brought before IFC to approve new positions or grants. She said those cases were similar to the current request for mortgage settlement funds.

Assemblyman Goicoechea said he was also apprehensive, but it was a settlement determined by the courts, and the current request was only for five months, after which the full Legislature would consider the program. He noted the mortgage foreclosure crisis was not a problem in the rural counties he represented, but it was clearly a problem in other parts of the state. Assemblyman Goicoechea believed the Committee needed to get the program rolling, and additional information and figures would be available in the 2013 Legislative Session. It was not benefitting the state to have people living in homes, not making mortgage payments, and destroying the homes, with the banks unable to foreclose on the mortgages because of lack of certification.

Chairwoman Smith said it was disturbing to hear that 3,000 homeowners in rural Nevada could not be served because of the inability to respond to that many people.

Senator Kieckhefer requested an opinion from Legislative Counsel on the role of the Interim Finance Committee in making this decision.

Eileen O'Grady, Chief Deputy Legislative Counsel, Legislative Counsel Bureau, opined that it was appropriate for IFC to take action on the request. The settlement funds were money that was received but not included in the budget. There had been several examples in the past of settlement funds being approved by IFC. She said although the current request may be of larger magnitude, it was not unusual, and action by the Committee was appropriate.

Assemblyman Hickey said although a number of concerns had been voiced concerning use of the funds, he would vote for the request because the program was needed now. He said the 2013 Legislature would need to take an enhanced and comprehensive look at the housing problems and expenditure of the settlement funding. Assemblyman Hickey reserved his right to request to have the program modified or changed in the future.

Senator Cegavske remarked the $9.4 million allocated toward staffing and equipment in the AG's Office seemed excessive. She requested review of those expenditures in the future; any money from the settlement funds should go to the homeowners.

Senator Kieckhefer asked whether the appropriation was for a calendar year or a fiscal year. The Legislature would convene in five months, and he questioned how the adequacy of the program could be evaluated by that time.

General Masto replied because the program would be incorporated into the Attorney General's 2013-2015 biennial budget, she assumed it was based on the state fiscal year. She noted the Committee had received a timeline of the program; data would be gathered as soon as the program was implemented, and reports would be prepared for the Committee upon its request.

Assemblyman Grady said although he also had questions concerning the request, he would support it. He would be watching closely to see whether services were provided to the rural areas.

Assemblyman Bobzien said he looked forward to updates as to how the legislators could assist in the public relations outreach for the program. As was mentioned earlier, homeowners might be suspicious of information they received from the banks, and he thought that Committee members should assist with implementation of the program. He was comfortable with approving the request; Washoe County had a serious foreclosure problem, and he was appreciative of Attorney General Masto's efforts toward creating a structure to provide monitoring of the progress.

Chairwoman Smith remarked she did not think Committee members would argue the fact that the money would be well spent; obviously every member wanted the money to be spent appropriately. She wanted to ensure that performance benchmarks were in place and that consumers were benefitting. Chairwoman Smith acknowledged that Committee members had different viewpoints, but she was sure that all members were concerned that the money would be spent efficiently and in the best way possible to benefit the citizens of the state.

Chairwoman Smith thanked Attorney General Masto for the time and effort her office had expended over the past several months to bring the program together. She noted that Committee members had received a lot of supplemental written detail information concerning the National Mortgage Settlement programs. Chairwoman Smith said that Committee members all shared concerns and hoped for the best outcomes.

Chairwoman Smith called for a vote on the motion to approve Agenda Items G-4, as amended, and G-5.

> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

Assemblyman Goicoechea cautioned that his biggest concern, especially with the $1.2 million for legal services, was that there would be more lawsuits than loan modifications. If that occurred, he would be very vocal in the 2013 Legislature.

Assemblywoman Smith asked whether legal aid agencies sued individuals or if their purpose was to provide assistance to the consumers.

Attorney General Masto replied legal aid agencies provided assistance and relief to consumers and stressed homeowners; they did not provide legal aid for purposes of suing. There were many legal issues beyond suing banks that legal aid services provided.

Senator Horsford noted that it was the role of the Attorney General, as the chief law enforcement officer of the state, to hold accountable those entities that committed fraud or took advantage of the public. He wanted to ensure that the Committee's action did not interfere with the AG's duty to hold anyone and everyone accountable for taking advantage of the public in what had become the worst housing crisis in the nation's history. Senator Horsford added that Attorney General Masto was working with Attorneys General across the country, in addition to the U.S. Department of Justice, to ensure that those who caused the problem would be held accountable.

Chairwoman Smith called a recess at 1:25 p.m. and the meeting resumed at 1:50 p.m.

6. **Office of the Attorney General - Victims of Domestic Violence - FY 2013** - Addition of $45,000 in Transfer from Department of Public Safety Criminal Justice to continue a contracted State Automated Victim Information and Notification (SAVIN) system coordinator to ensure the implementation of the new notification program. Requires Interim Finance approval since the amount added to the Victim Information and Notification System/Justice Assistance Grant (VINE/JAG) grant category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24131**

   Refer to motion for approval under Agenda Item G.

7. **Office of the Attorney General - Victims of Domestic Violence - FY 2013** - Addition of $50,000 in Transfer from Violence Against Women Grants account to support infrastructure and operation of the Nevada Statewide Automated Victim Information and Notification (SAVIN/VINE) System. Requires Interim Finance approval since the amount added to the VINE category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24105**

   Refer to motion for approval under Agenda Item G.

8. **Department of Administration - Enterprise IT Services-Telecommunications - FY 2012** - Addition of $45,786 in Repair Charge funds to provide for services and equipment for phone systems through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Telephone Services category exceeds 10 percent of the legislatively approved amount for this category. **Work Program #C24051**

   Refer to motion for approval under Agenda Item G.

9. **Department of Administration - Nevada State Library and Archives - Nevada State Library - FY 2013** - Addition of $210,709 in General Fund appropriation to purchase licenses in FY 2013 for the Statewide Database program. Requires Interim Finance approval pursuant to A.B. 580, Section 32 (2011 Legislature). **RELATES TO ITEM 10. Work Program #C24340**

   Refer to motion for approval under Agenda Item G.

10. **Department of Administration - Nevada State Library and Archives - Nevada State Library - FY 2012** - Deletion of $210,709 in General Fund appropriation to allow for the purchase of licenses in FY 2013 for the Statewide Database program. Requires Interim Finance approval pursuant to A.B. 580, Section 32 (2011 Legislature). **RELATES TO ITEM 9. Work Program #C24452**

    Refer to motion for approval under Agenda Item G.

11. **Department of Administration - Nevada State Library and Archives - Nevada State Library - FY 2013** - Addition of $237,593 in U.S. Department of Commerce federal grant funds for the Nevada One Click Away project for the Broadband Technology Opportunities Program (BTOP) to enhance online information and resources to governmental services, educational opportunities, and knowledgeable librarian assistance. Requires Interim Finance approval since the amount added to the BTOP Grant category exceeds $75,000. **Work Program #C24467**

    Refer to motion for approval under Agenda Item G.

12. **Department of Administration - Nevada State Library and Archives - Archives and Records - FY 2013** - Addition of $32,041 in federal Institute of Museums and Library Services (IMLS) grant funds to report the conditions of the state's cultural collections and engage individuals at all levels of government and around the state to assume responsibility for providing support so Nevada's documentary heritage and cultural collections may survive. Requires Interim Finance approval since the amount added to the federal grant - IMLS category exceeds 10 percent of the legislatively approved amount for this category. **Work Program #C24139**

    Refer to motion for approval under Agenda Item G.

13. **Department of Taxation - FY 2013** - Transfer of $42,000 from the ~~Lockbox~~ ***Personnel Services*** category to the Information Services category to cover costs associated with funding a contract database administrator to support the Unified Tax System Oracle database. Requires Interim Finance approval since the cumulative ~~amount transferred from the Lockbox~~ ***change to the Personnel Services category exceeds $75,000*** ~~10 percent of the legislatively approved amount for that category~~. **Work Program #C24028. REVISED 8-13-12.**

    Refer to motion for approval under Agenda Item G.

14. **Department of Education - State Supplemental School Support Fund - FY 2012** - Addition of $18,664,000 in Transient Lodging Tax funds to allow for the receipt and transfer of Room Tax funds to the Distributive School Account pursuant to A.B. 579, Section 29, Subsection 2 (2011 Legislature). Requires Interim Finance approval since the amount added to the Room Tax - Aid to Schools category exceeds $75,000. **Work Program #C24493**

    Refer to motion for approval under Agenda Item G.

15. **Department of Education - Other Unrestricted Accounts - FY 2012** - Transfer of $17,912 from the Data Coordinator Task Order category to the Personnel Services category and $1,871 from the National Assessment of Education Progress (NAEP) category to the Personnel Services category to fund a projected shortfall. Requires Interim Finance approval since the cumulative change to the Personnel Services category exceeds $75,000. **Work Program #C24418**

    Refer to motion for approval under Agenda Item G.

16. **Department of Education - Discretionary Grants - Restricted - FY 2012** - Transfer of $40,000 from the English Language Acquisition Administration category to the Personnel Services category to fund a shortfall. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24425**

    Refer to motion for approval under Agenda Item G.

17. **Department of Education - Discretionary Grants - Restricted - FY 2013** - Addition of ~~$5,633,616~~ ***$3,944,398*** in funds transferred from the Governor's Office for Edu-Jobs to balance forward remaining authority for the Edu-Jobs program, which provides essential resources to assist local educational agencies in saving or creating education jobs and helping to ensure that America's students are prepared to succeed in college and careers. Requires Interim Finance approval since the amount added to the Edu-Jobs Administration category exceeds $75,000. **RELATES TO ITEM 1. Work Program #C24254. REVISED 8-6-12.**

    Refer to motion for approval under Agenda Item G.

18. **Department of Education - Elementary and Secondary Education - Title I - FY 2012** - Transfer of $19,400 from the Operating Expenses category to the Personnel Services category and $8,100 from the Operating Expenses category to the Transfer to Budget Account 2719 category to fund projected shortfalls. Requires Interim Finance approval since the cumulative change to the Operating Expenses category exceeds $75,000. **Work Program #C24421**

    Refer to motion for approval under Agenda Item G.

19. **Department of Agriculture - Pest, Plant Disease, and Noxious Weed Control - FY 2012** - Addition of $8,000 in ARRA U.S. Forest Service (USFS) Stimulus Peavine Fire grant funds; $6,000 in ARRA USFS Stimulus Belli Fire grant funds; and $68,000 in ARRA USFS Stimulus Truckee River grant funds for reclamation efforts in Washoe County. Requires Interim Finance approval since the cumulative amount added to the ARRA USFS Truckee River category exceeds $75,000. **Work Program #C23988**

    Refer to motion for approval under Agenda Item G.

20. **Department of Business and Industry - Industrial Relations - Safety Consultation and Training - FY 2013** - Addition of $63,238 in federal OSHA 21(d) Consultation Program grant funds, to receive a one-time award of federal funds to provide increased awareness of workplace safety and healthful working conditions for Nevadans. Requires Interim Finance approval since the amount added to the Training category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24009**

    Refer to motion for approval under Agenda Item G.

Chairwoman Smith announced that Agenda Items G-21 and G-22 would be heard together.

21. **Department of Business and Industry - Housing Division - FY 2013** - Addition of $40,750 in Transfer from Low Income Housing Trust Funds to create and maintain a statewide low-income housing database. Requires Interim Finance approval since the amount added to the Housing Database Administration category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 22. Work Program #C24158**

    Refer to testimony and motion for approval under Agenda Item G-22.

22. **Department of Business and Industry - Housing Division - Low Income Housing Trust Fund - FY 2013** - Transfer of $40,750 from the Reserve category to the Transfer to Housing category to create and maintain a statewide low-income housing database. Requires Interim Finance approval since the cumulative change to the Transfer to Housing category exceeds $75,000. **RELATES TO ITEM 21. Work Program #C24160**

Lon DeWeese, Chief Financial Officer, Housing Division, Department of Business and Industry, explained Agenda Items G-21 and G-22 related to programming expenses for the low-income housing database that was supposed to be developed in fiscal year (FY) 2012. Because of delays in hiring staff to manage the program, the Division chose to not begin the program until it had budgetary authority from the Interim Finance Committee. He said the dollar amount was the same as was budgeted for the program in FY 2012; there was no increase in cost.

Chairwoman Smith asked Mr. DeWeese to explain the status of the statewide low-income housing database and whether the requests would encompass all of the costs associated with development of the database.

Mr. DeWeese explained the original design of the database mirrored the program in Utah, which was a database for individuals who were in need of specialty housing, i.e., physically and mentally handicapped, substance abuse cases, and other forms of specialty housing that were not mainstream. The Division worked with former Speaker of the Assembly Barbara Buckley and the Governor's Office to try to delay start of the program because the Low-Income Housing Trust Fund was dependent upon a diminishing flow of real estate property transfer taxes. He said there were three-year commitments to the Low-Income Housing Trust Fund at the time, and the consensus was to begin the database program after those commitments were fulfilled.

Mr. DeWeese recalled that the Interim Finance Committee had approved starting the program in October 2012, and the Division thought it would have staff to develop the programming parameters, which did not occur as quickly as the Division had anticipated. As a result, the FY 2012 programming dollars needed to be moved into the current fiscal year. He said the database parameters were now designed and the form was following function. The database would be an online accessible item for both potential renters and property owners, who would be able to load the descriptive data of their properties, the cost, and the available vacancies.

Chairwoman Smith asked whether the process was changed to a web-based system from what was originally planned. Mr. DeWeese replied no; the mandate from the Committee was to mirror the online approach used by Utah, and that template was used in creating the programming parameters. One difference was that ranges in costs would be used because property owners felt it was a competitive disadvantage to provide specific dollar rental amounts as opposed to ranges. He said the approach was also changed to a more automated approach by which each facility could update its own data as opposed to hiring a third person to input and manage the data on a more rigid structure basis.

Chairwoman Smith asked what the system's ongoing costs would involve. Mr. DeWeese replied there was an absolute hard cap in the statute of $175,000, which had to cover the cost of two staff members and about $17,000 annually in operating expenses.

Chairwoman Smith asked for questions from the Committee; there were none. She then asked for public comment and seeing none, she called for the motion.

> ASSEMBLYMAN CONKLIN MOVED FOR APPROVAL OF AGENDA ITEMS G-21 AND G-22.
>
> SENATOR KIECKHEFER SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

23. **Department of Business and Industry - Housing Division - Special Housing Assistance - FY 2013** - Addition of $3,491,546 in Neighborhood Stabilization Program Round 1 (NSP1) grant funds and $3,628,760 in Neighborhood Stabilization Program Round 3 (NSP3) grant funds to balance forward remaining authority from FY 2012 to FY 2013 to stabilize neighborhoods and stem the decline of house values of neighboring homes. Requires interim finance approval since the amount added to the NSP3 Administration category exceeds $75,000. **Work Program #C24153**

    Refer to motion for approval under Agenda Item G.

24. **Department of Tourism and Cultural Affairs - Tourism Development Fund - FY 2013** - Transfer of $1,850,000 from the Reserve category to the Promotion and Advertising category to expand the agency's promotional activities through contracting for integrated marketing agency services to include public relations, advertising, and website development and maintenance. Requires Interim Finance approval since the amount added to the Promotion and Advertising category exceeds $75,000. **Work Program #C24220**

Chairwoman Smith reminded Committee members that the request in Agenda Item G-24 had been considered at the June meeting. The item was deferred because some Committee members wanted to obtain further information.

Assemblywoman Carlton recalled she had asked questions at the June meeting which caused the item to be delayed. She had been able to obtain further details, and she was more comfortable with the request. She still had concerns, but she would look at other remedies for those.

> ASSEMBLYWOMAN CARLTON MOVED FOR APPROVAL OF AGENDA ITEM G-24.
>
> SENATOR KIECKHEFER SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

25. **Department of Health and Human Services - Director's Office - Grants Management Unit - FY 2013** - Addition of $80,000 in Casey Family Programs funds to support and promote the implementation of differential and alternative response to reports of child abuse and neglect. Requires Interim Finance approval since that amount added to the Differential Response category exceeds $75,000. **Work Program #C24400**

    Refer to motion for approval under Agenda Item G.

26. **Department of Health and Human Services - Aging and Disability Services - Federal Programs and Administration - FY 2013** - Addition of $201,987 in Money Follows the Person grant funds transferred from the Division of Health Care Financing and Policy to increase consumer awareness of and access to the existing Money Follows the Person program and to provide information and access to consumers and caregivers who are interested in transition services. Requires Interim Finance approval since the amount added to the Money Follows the Person category exceeds $75,000. **Work Program #C24095**

    Refer to motion for approval under Agenda Item G.

27. **Department of Health and Human Services - Health Care Financing and Policy - Administration - FY 2013** - Addition of $330,098 in federal Title XXI funds and $3,839,047 of federal Title XIX funds and deletion of $8,785,650 in federal Health Insurance Exchange funds to support the development of the Division of Welfare and Supportive Services Eligibility Engine for Nevada's state-operated Health Insurance Exchange and the elimination of the existing authority for the Silver State Health Insurance Exchange since this authority has been established in a separate department pursuant to S.B. 440. Requires Interim Finance approval since the amount added to the Payments to Sister Agencies category exceeds $75,000. **RELATES TO ITEM 34. Work Program #C24232**

    Refer to motion for approval under Agenda Item G.

28. **Department of Health and Human Services - Health Care Financing and Policy - Administration - FY 2013** - Addition of $865,355 in General Fund Appropriation, $16,403 in federal Title XXI funds, and $1,879,657 in federal Title XIX funds to transfer funds from FY 2012 to FY 2013 to continue development efforts for Medicaid Management Information System (MMIS) projects and to continue activities in support of Medicaid and Check Up. Requires Interim Finance approval pursuant to A.B. 580, Section 32 (2011 Legislature). **RELATES TO ITEM 29. Work Program #C24456**

    Refer to motion for approval under Agenda Item G.

29. **Department of Health and Human Services - Health Care Financing and Policy - Administration - FY 2012** - Deletion of $865,355 in General Fund Appropriation, $16,403 in federal Title XXI funds, and $1,879,657 in federal Title XIX funds to transfer funds from FY 2012 to FY 2013 to continue development efforts for MMIS projects and to continue activities in support of Medicaid and Check Up. Requires Interim Finance approval pursuant to A.B. 580, Section 32 (2011 Legislature). **RELATES TO ITEM 28. Work Program #C24471**

    Refer to motion for approval under Agenda Item G.

30. **Department of Health and Human Services - Health Care Financing and Policy - Increased Quality of Nursing Care - FY 2012** - Transfer of $243,133 from the Payments to Nursing Facilities category to the Transfer to Medicaid category to fund projected expenditures for skilled nursing facilities for the care of Medicaid recipients. Requires Interim Finance approval since the amount transferred to the Transfer to Medicaid category exceeds $75,000. **Work Program #C23992**

    Refer to motion for approval under Agenda Item G.

Chairwoman Smith announced that Agenda Item G-31 would be heard in conjunction with Agenda Items G-40, G-41, and G-42.

31. **Department of Health and Human Services - Health Care Financing and Policy - Nevada Medicaid, Title XIX - FY 2013** - Deletion of $806,259 in federal Title XIX funds and $563,765 in Budgetary Transfers to the Division of Child and Family Services to implement a pilot project to provide therapeutic foster care for youths. Requires Interim Finance approval pursuant to A.B. 580, Section 46 (2011 Legislature). **RELATES TO ITEMS 40, 41 and 42**. **Work Program #C24338**

    Refer to testimony and motion for approval under Agenda Item G-42.

32. **Department of Health and Human Services - Health Division - Communicable Diseases - FY 2013** - Addition of $1,934,459 in Rebate Balance Forward from Previous Year funds and transfer of $1,844,797 from the Medications category to the Reserve for Reversion category to improve the quality, availability, and organization of HIV/AIDS AIDS Drug Assistance Program Health Care and related support services and cover AIDS medication costs with rebate funds. Requires Interim Finance approval since the amount transferred from the AIDS Medications category exceeds $75,000. **Work Program #C23570. WITHDRAWN 8-13-12.**

    Refer to motion for approval under Agenda Item G.

33. **Department of Health and Human Services - Health Division - Chronic Disease - FY 2013** - Addition of $150,000 in Transfer from the Department of Health and Human Services Director's Office to enhance efforts to reduce tobacco use among adults and teens, as well as reduce exposure to secondhand smoke. Requires Interim Finance approval since the amount added to the Tobacco Quitline category exceeds $75,000. **Work Program #C24140**

    Refer to motion for approval under Agenda Item G.

34. **Department of Health and Human Services - Welfare and Supportive Services - Administration - FY 2013** - Addition of $579,044 in General Funds transferred from FY 2012 to FY 2013, $3,897,774 in federal Title XIX funds, $330,098 in State Children's Health Insurance Program funds, and $6,340,201 in Health Insurance Exchange Establishment grant funds to comply with the regulations and deadlines of the Affordable Care Act. Requires Interim Finance approval pursuant to A.B. 580, Section 32 (2011 Legislature). **RELATES TO ITEMS 27 and 35. Work Program #C24080**

    Refer to motion for approval under Agenda Item G.

35. **Department of Health and Human Services - Welfare and Supportive Services - Administration - FY 2012** - Deletion of $579,044 in State General Funds transferred from FY 2012 to FY 2013 to provide the state share of funding for the design and development phase of the Health Insurance Exchange Eligibility Engine. Requires Interim Finance approval pursuant to A.B. 580, Section 32 (2011 Legislature). **RELATES TO ITEM 34. Work Program #C24236**

    Refer to motion for approval under Agenda Item G.

36. **Department of Health and Human Services - Mental Health and Developmental Services - Desert Regional Center - FY 2013** - Transfer of $2,021,246 from the Resident Placement category to the Jobs and Day Training category to continue to assist developmentally disabled persons obtain employment and daily living skills. Requires Interim Finance approval since the amount transferred to the Jobs and Day Training category exceeds $75,000. **Work Program #C23819**

Darrel Hansen, Administrative Services Officer, Mental Health and Developmental Services, Desert Regional Center, Department of Health and Human Services, explained Agenda Item G-36 was a request to move funding authority from category 11, Supported Living Arrangements (SLAs), to the Jobs and Day Training (JDT) Services category. He said currently the average cost per placement in Supported Living Arrangements was running lower than the amount budgeted, and there was a waitlist of over 400 in Jobs and Day Training Services; the average wait time was over 300 days, and the target was no longer than 90 days.

Senator Kieckhefer asked whether there would still be a waitlist in both programs. Mr. Hansen replied both programs would continue to have a waitlist.

Senator Kieckhefer asked why funds were being shifted from SLAs. Mr. Hansen said the Division anticipated being able to provide for the budgeted caseload in Supported Living Arrangements. Many times family members taking care of the individual needed to be able to work, and if a JDT program was not available for the client, the caretaker could not go to work. He said the waitlist for SLAs was just over 100, and the list for JDT Services was over 400.

Senator Kieckhefer asked what percentage of the Supported Living Arrangements were in the family home versus in a group home or outside the family home. Mr. Hansen replied over 200 clients were in group homes, and there were approximately 850 clients with a less intensive need in family homes or their own apartments.

Chairwoman Smith asked for testimony from the public. Seeing none, she called for a motion.

> ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL OF AGENDA ITEM G-36
>
> SENATOR KIECKHEFER SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

37. Department of Health and Human Services - Mental Health and Developmental Services - Desert Regional Center - FY 2012 - Transfer of $90,000 from the Residential Supports category to the Jobs and Day Training category to continue to assist developmentally disabled persons obtain employment and daily living skills. Requires Interim Finance approval since the amount transferred to the Jobs and Day Training category exceeds $75,000. **Work Program #C24394**

Refer to motion for approval under Agenda Item G.

38. Department of Health and Human Services - Mental Health and Developmental Services - Facility for the Mental Offender - FY 2012 - Transfer of $36,000 from the Utilities category to the Medications category to continue to provide medications needed for the treatment of clients. Requires Interim Finance approval since the amount transferred to the Medications category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23462**

Refer to motion for approval under Agenda Item G.

39. **Department of Health and Human Services - Mental Health and Developmental Services - Facility for the Mental Offender - FY 2013 -** Transfer of $485,000 from the Personnel Services category to the Professional Services category to fund contracted psychiatrists and other professionals to support current agency operations and provide the treatment necessary for rehabilitation. Requires Interim Finance approval since the amount added to the Professional Services category exceeds $75,000. **Work Program #C24237**

    Refer to motion for approval under Agenda Item G.

Chairwoman Smith announced that Agenda Items G-40, 41, and 42, as well as Agenda Item G-31, would be heard together. Refer to testimony and motion for approval under Agenda Item G-42.

40. **Department of Health and Human Services - Child and Family Services - Washoe County Integration - FY 2013** - Addition of $150,290 in federal Title IV-E funds and $227,313 in Budgetary Transfers from the Division of Health Care Financing and Policy to implement a pilot project to provide therapeutic foster care for youths. Requires Interim Finance approval pursuant to A.B. 580, Section 46 (2011 Legislature). **RELATES TO ITEMS 31, 41 and 42. Work Program #C24353**

    Refer to testimony and motion for approval under Agenda Item G-42.

41. **Department of Health and Human Services - Child and Family Services - Clark County Integration - FY 2013** - Addition of $125,776 in federal Title IV-E funds and $251,827 in Budgetary Transfers from the Division of Health Care Financing and Policy to implement a pilot project to provide therapeutic foster care for youths. Requires Interim Finance approval pursuant to A.B. 580, Section 46 (2011 Legislature). **RELATES TO ITEMS 31, 40 and 42. Work Program #C24354**

    Refer to testimony and motion for approval under Agenda Item G-42.

42. **Department of Health and Human Services - Child and Family Services - Rural Child Welfare - FY 2013** - Addition of $41,243 in federal Title IV-E funds and $84,625 in Budgetary Transfers from the Division of Health Care Financing and Policy to implement a pilot project to provide therapeutic foster care for youths. Requires Interim Finance approval pursuant to A.B. 580, Section 46 (2011 Legislature). **RELATES TO ITEMS 31, 40 and 41. Work Program #C24355**

Amber Howell, Administrator, Division of Child and Family Services, Department of Health and Human Services, said Agenda Items G-31, G-40, G-41, and G-42 involved a request for a pilot program to provide therapeutic foster care for youths. She provided the following summary of the project:

Today there are vulnerable children being reared by Nevada's child welfare agencies. Some of them spend their childhoods in expensive institutions and are continuously transferred from one foster home to the next, and the next, and the next. This instability contributes to unimaginable trauma. Once children experience these patterns, they are more likely to stay in this fluctuating system and unstable placements into adulthood, never to land with a forever family.

The goal of Nevada's child welfare agencies is to ensure that each child has a functioning family and a safe permanent home. Children develop best when they are connected to loving and stable families. And in response to this collective goal, Nevada's child welfare agencies need to reexamine and modify their efforts when they fall short of this goal. For this reason, the specialized foster care system is in need of reform.

In fiscal year 2010, child welfare custody placement providers billed Medicaid approximately $15 million for basic skills training, also known as BST. BST services include learning how to manage daily lives, social skills, communication skills, parenting, time management, organization, and transitional living skills. We have seen a dramatic increase in BST billable hours, and the outcomes for our youth have not improved.

In order to obtain better outcomes for youth in specialized foster care in Nevada who are in the custody of one of our agencies, collectively we seek to obtain approval from the Interim Finance Committee to carve out funding from the current Division of Health Care Financing and Policy budget, specifically the BST General Fund portion, to fund a pilot program to provide a redesigned specialized foster care system for 70 children. Some of the predicted benefits that we are hoping to see are: more efficient services; more appropriate clinical supportive services; enable foster parents with training, education, and support to accept difficult cases; increase efficacy of treatment to decrease systems and negative behaviors; decrease placement disruptions; increase permanency placements; reunification; and maintaining fiscal responsibility. There will no longer be an avenue for the providers of the pilot to bill for BST. It will be expected that they will provide the BST services and be compensated for the additional payment that they will receive from us for $45.77 per day.

Ms. Howell added that statewide, the three child welfare agencies had approximately 581 children in this population of specialized foster care. The pilot would focus on 70 children: 30 from Clark County, 30 from Washoe County, and 10 from the Division of Child and Family Services (DCFS). She said the Division had been working on the business plan for several months to develop a model for implementation. Other states had come to Nevada to provide presentations and outcomes about what they were doing in their states and the successes; some of those ideas had been blended into Nevada's model.

Ms. Howell highlighted the following items included in the business plan:

- The identification of a selective population.

- A standardized admission and assessment criteria for entry into specialized foster care selection of foster care providers.

- Agency staff; a refined administrative structure to provide data, quality assurance, and outcome tracking that includes an individualized report card for each child that will be completed every quarter, and a full report will be provided to the child welfare agencies on a quarterly basis.

Ms. Howell said the Division would provide clinical oversight, specialized foster parent training, ongoing support, and compensation of $45.77 per day. It was the theory of child welfare that this model would reduce the over reliance of BST, decrease Medicaid spending, and increase the state's oversight and accountability of the providers.

Ms. Howell referred to Assembly Bill 580, Section 46 (2011 Legislature), which read, *The Department of Health and Human Services may, during the 2011-13 biennium, implement a pilot project to provide therapeutic foster care for youths with serious emotional disturbances. . . .* She said the Division was requesting such approval from the Committee. Ms. Howell thanked the Committee and offered to answer questions.

Assemblywoman Mastroluca asked how the pilot project would differ from the existing foster care program. Ms. Howell replied currently the child welfare agencies had custody of the children, and they were placed in licensed foster homes and specialized foster homes. Those providers were also providers of Medicaid, and therefore the foster parents could provide services on top of those paid for by DCFS each day to have the child in the home, and the parents could also bill Medicaid. Ms. Howell explained the providers were receiving funding from two sources, and the Division did not have internal funding to put in the contract to hold them accountable.

Assemblywoman Mastroluca asked how the pilot procedures would guarantee that the agency and Medicaid were not both being billed. Ms. Howell replied a report from Medicaid had been developed to track the children and providers in the pilot to ensure that BST was not being billed. It would be monitored on a monthly basis.

Assemblywoman Mastroluca asked whether the long-range goal was for the Division to have more specific deliverables and incentives for providers in the future. Ms. Howell replied that was correct; the Division would have to change all of its contracts with providers to include outcome measures, which had never been done before. In addition, the Division would be able to perform ongoing monitoring to determine what services were being delivered, what the child needed, what the child did not need, and whether intervention was necessary, which would provide a much more robust clinical oversight than the Division had ever had.

Assemblywoman Mastroluca remarked it appeared the pilot project would wrap the services around the child instead of sending the child to different places to receive different services. Ms. Howell replied she was correct.

Chairwoman Smith surmised that in the longer term, offsets would be seen because the child would be healthier by living in a better situation. Ultimately, there would be fewer programs and reduced costs at the other end, but it was about having a healthier child.

Ms. Howell agreed, adding that currently the sicker the child, the more money was available, and the idea was to reverse that dial and hold people accountable to the outcomes in order to receive funding rather than to incentivize for sicker children.

Assemblywoman Bustamante Adams asked how long the pilot program would last and what would happen once it was completed. Ms. Howell replied if approved, the pilot was expected to start in October 2012 and run for a total of nine months – until the end of the 2013 Legislative Session in June 2013. She said the Division was considering whether to submit a request to continue to receive the BST General Fund portion from Medicaid or if a request should be submitted as a General Fund item for special consideration. The goal was to have all 581 children enrolled in the pilot by the 2013-2015 biennium.

Senator Horsford stated he believed the project was a great step forward. He recalled one of the recommendations from Casey Family Programs to the Interim Committee on the Placement of Children in Foster Care (Senate Bill 356, Section 4, 1997 Legislature) was to not divert money from foster care when savings were realized because foster children were not being adequately served to begin with. Senator Horsford asked what assurances there were that the dollars would be retained for foster care services.

Ms. Howell said in the 2011 Legislative Session, the counties' child welfare funding was block granted, and they were able to retain any unspent money within their systems. The funds could not be diverted for other uses; they had to be expended on child welfare services.

Chairwoman Smith said she appreciated the work that had been done on the project to benefit the children in the system. It was hard to imagine how many homes, schools, doctors, and providers of services the children had to experience. She noted there were some items in the Program Improvement Plan (PIP) targeted for completion by November 2012, and she asked if those improvements were on track to take place.

Ms. Howell replied six of eight quarters of the PIP had been completed successfully, and the other two quarters would be completed by November.

Assemblyman Conklin commended all of the parties involved in the project. Creating consistency for foster care youth would have many residual benefits for communities. He said having dealt with homeless youth services for many years, the vast majority of kids seen on the street had fallen out of the foster care system. He said their biggest grief was that there was no stability or consistency in their lives. Assemblyman Conklin said the attempt to create consistency and wrap the services around the child was a huge step forward. He would support the project.

Assemblywoman Mastroluca asked what age ranges would be involved in the pilot. Ms. Howell replied there was no specific range, although the older the youth became, the more difficult it was to place them; they had more placement disruptions and their behaviors escalated. Although the youth tended to be older, it was not uncommon to have an eight- or nine-year-old fall within that category, depending upon the trauma experienced and number of placement disruptions. Ms. Howell said there was a difference between a 12-and-under foster care payment and a 13-and-older foster care payment, and the higher rate was used when budgeting for the pilot.

Assemblywoman Mastroluca asked whether the contracts for the pilot were with specific providers or they would be open to all providers. Ms. Howell replied specific providers were being targeted in the initial phase for the 70 kids to maximize the outcomes. She said service capacity was a challenge, specifically in Clark County, i.e., having enough providers to fill the need and who were willing to participate; while the children were being phased into the project, it would also be possible to build the service capacity.

Assemblywoman Mastroluca observed that the project would provide an opportunity to educate other providers in the community as the Division moved further toward this type of model. Ms. Howell replied that was true.

Chairwoman Smith asked for further questions from the Committee; there were none. She then asked for public testimony and seeing none, she called for a motion.

> ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL OF AGENDA ITEMS G-31, G-40, G-41, and G-42.
>
> SENATOR KIECKHEFER SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

43. **Department of Employment, Training and Rehabilitation - Vocational Rehabilitation - FY 2013** - Transfer of $42,000 from the SSA Program Income category to the Strategic Planning category to provide sufficient funding in FY 2013 for federally-required contracts to perform needs assessment and annual customer satisfaction surveys; Nevada State Rehabilitation Council (NSRC) meeting interpreting/translation services and projected printing costs of the NSRC annual

report. Requires Interim Finance approval since the amount transferred to the Strategic Planning category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24044**

Refer to motion for approval under Agenda Item G.

44. **Department of Employment, Training and Rehabilitation - Employment Security - FY 2013** - Transfer of $2,901,000 from the Reserve category to the Client Services category to provide additional funding for just-in-time training services to potential employees to update job skills, continue support for the Department of Correction's Purpose, Respect, Integrity, Determination and Excellence program, the Truckee Meadows Community College Right Skills Now program, and the Silver State Works program. Requires Interim Finance approval since the amount transferred to the Client Services category exceeds $75,000. **Work Program #C24201**

Renee Olson, Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation, explained Agenda Item G-44 was a request for $2.9 million in support of employment and training programs within the Client Services category in the Career Enhancement Program (CEP).

Chairwoman Smith asked Ms. Olson to review the Purpose, Respect, Integrity, Determination, and Excellence (PRIDE) and Silver State Works programs. She observed there had been some improvements in the Silver State Works program.

Ms. Olson replied the Silver State Works program consisted of three different programs. The most popular program seemed to be the incentive-based employment program, which encouraged employers to hire and train employees, and every 30 days that the employees were retained, the employer would be provided an incentive of $500 up to $2,000 total for the contract. Ms. Olson said the Division was studying the results of the Silver State Works program in fiscal year (FY) 2012 to determine the most effective piece of the program and what could be done to drive more attention toward one program or another and to define more specifically where to focus attention in the program.

Ms. Olson provided the following statistics for the Silver State Works program:

- 731 contracts were completed
- 454 contracts were still active
- $12.00 per hour average wage by sector statewide; sectors were funded as follows:
  - 17 percent Green and Renewable Energy
  - 5 percent Healthcare
  - 40 percent Leisure Hospitality and Retail Trade
  - 18 percent Manufacturing and Mining – statewide the highest wage
  - 20 percent Cross-Sector Support

- 56 percent of all participants were unemployment insurance participants
- 11 percent were veterans
- 4 percent were TANF recipients
- 7 percent were ex-felons
- 10 percent were older youth
- 12 percent were disabled

Chairwoman Smith asked whether it was anticipated that the percentage of funding toward healthcare would increase.

Frank Woodbeck, Director, Department of Employment, Training and Rehabilitation, replied the program was being studied to determine what the strongest parts were and what could be done to reallocate dollars to those stronger parts. He said healthcare was anticipated to be a sector that would receive additional attention and investment.

Chairwoman Smith noted funds were being reallocated from on-the-job and institutional training services to other training, and she asked how the clients in those programs would be affected.

Ms. Olson said some participants could continue to be served through the employer-based training program in the Silver State Works model. When the work program was developed, $200,000 in traditional on-the-job training expenses could have been allocated to the employer-based training program, which would have increased Silver State Works in that regard. However, the employer-based training program was the most difficult program for which to find participants who wanted to go into a training rather than employment situation. The Division was considering whether to continue to focus as much emphasis in that area.

Ms. Olson said the Division believed the institutional training services program could continue at the same level of service, which was approximately the level of service provided during FY 2012.

Assemblywoman Carlton asked how many participants had completed the program and whether there was a retention rate associated with them. Ms. Olson replied 731 had completed their contracts, and she would obtain the retention rate information for the Committee.

Assemblywoman Carlton asked whether a closing interview was conducted to evaluate the skills the participant gained. She was concerned about the 40 percent in the hospitality field; she asked whether it was true hospitality skills training.

Ms. Olson replied she believed the program involved true leisure and hospitality training, but she would ensure that factor would be considered when evaluating the program going forward.

Assemblywoman Carlton asked whether the $12.00 per hour average wage applied to hospitality and leisure. Ms. Olson said the average wage in hospitality was $10.21 per hour. Assemblywoman Carlton remarked the $10.21 per hour wage was a good indication of what types of jobs were involved. The long-term goal would be upgrading skills and job retention.

Chairwoman Smith asked for further questions, and there were none. She asked for public comment and seeing none, she called for a motion.

> ASSEMBLYMAN HARDY MOVED FOR APPROVAL OF AGENDA ITEM G-44.
>
> SENATOR DENIS SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

45. Department of Employment, Training and Rehabilitation - Employment Security - Special Fund - FY 2013 - Addition of $964,900 in federal Administrative Cost Allowance grant funds and $700,000 in ARRA Unemployment Insurance (UI) Special Administrative grant funds to align federal and state authority to allow for the continuation of the Program Integrity and IT Infrastructure project, which assists with the prevention, detection and recovery of improper unemployment insurance benefit payments, and the continuation of Phase II of the federally-funded Unemployment Insurance Modernization (UInv) project. Requires Interim Finance approval since the amount added to the UI Modernization Phase II category exceeds $75,000. **Work Program #C24129**

Refer to motion for approval under Agenda Item G.

46. Department of Corrections - Ely State Prison - FY 2012 - Deletion of ~~$155,171~~ ***$211,791*** in General Fund Appropriation to ensure sufficient budget authority is available for an approved deferred maintenance project in FY 2013. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 47. Work Program #C23794. REVISED 8-13-12.**

Refer to motion for approval under Agenda Item G.

47. Department of Corrections - Ely State Prison - FY 2013 - Addition of ~~$155,171~~ ***$211,791*** in General Fund Appropriation to balance forward funds to ensure sufficient budget authority is available for an approved deferred maintenance project. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 46. Work Program #C24250. REVISED 8-13-12.**

Refer to motion for approval under Agenda Item G.

48. **Department of Corrections - High Desert State Prison - FY 2012** - Transfer of $23,479 from the Personnel Services category to the Utilities category and $7,154 from the Personnel Services category to the Inmate Drivens category to ensure vendors will be paid timely for utilities, inmate food, clothing, and hygiene. Requires Interim Finance approval since the amount transferred to the Utilities category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24258**

    Refer to motion for approval under Agenda Item G.

49. **Department of Corrections - Southern Desert Correctional Center - FY 2012** - Addition of $44,022 in Budgetary Transfers and $3,920 in Reimbursement for Utilities to cover anticipated shortfalls for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C24259**

    Refer to motion for approval under Agenda Item G.

50. **Department of Corrections - Southern Desert Correctional Center - FY 2012** - Deletion of $10,041 in General Fund Appropriation to ensure sufficient budget authority is available for an approved deferred maintenance project in FY 2013. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 51. Work Program #C24286**

    Refer to motion for approval under Agenda Item G.

51. **Department of Corrections - Southern Desert Correctional Center - FY 2013** - Addition of $10,041 in General Fund Appropriation to ensure sufficient budget authority is available for an approved deferred maintenance project. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 50. Work Program #C24289**

    Refer to motion for approval under Agenda Item G.

52. **Department of Corrections - Lovelock Correctional Center - FY 2012** - Deletion of $101,240 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since the amount deducted from the Personnel Services category exceeds $75,000. **Work Program #C24248**

    Refer to motion for approval under Agenda Item G.

53. **Department of Corrections - Lovelock Correctional Center - FY 2013** - Addition of ~~$26,152~~ ***$22,118*** in General Fund Appropriation to balance forward funds to ensure sufficient budget authority is available for an approved deferred maintenance project. Requires Interim Finance approval pursuant to A.B. 580,

Section 36 (2011 Legislature). **RELATES TO ITEM 54. Work Program #C24251. REVISED 8-6-12.**

Refer to motion for approval under Agenda Item G.

54. Department of Corrections - Lovelock Correctional Center - FY 2012 - Deletion of ~~$26,152~~ ***$22,118*** in General Fund Appropriation to ensure sufficient budget authority is available for an approved deferred maintenance project in FY 2013. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 53. Work Program #C24280. REVISED 8-6-12.**

Refer to motion for approval under Agenda Item G.

55. Department of Corrections - Warm Springs Correctional Center - FY 2012 - Addition of $30,324 in Budgetary Transfers and $122 in Room, Board, Transportation Charges to cover anticipated shortfalls for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C24261**

Refer to motion for approval under Agenda Item G.

56. Department of Corrections - Florence McClure Women's Correctional Center-FY 2012 - Deletion of $110,392 in General Fund Appropriation to ensure sufficient budget authority is available for an approved deferred maintenance project in FY 2013. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 57. Work Program #C24278**

Refer to motion for approval under Agenda Item G.

57. Department of Corrections - Florence McClure Women's Correctional Center-FY 2013 - Addition of $110,392 in General Fund Appropriation to balance forward funds to ensure sufficient budget authority is available for an approved deferred maintenance project. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 56. Work Program #C24285**

Refer to motion for approval under Agenda Item G.

58. Department of Corrections - Humboldt Conservation Camp - FY 2012 - Deletion of $20,275 in General Fund Appropriation to ensure sufficient budget authority is available for an approved deferred maintenance project in FY 2013. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 59. Work Program #C24247**

Refer to motion for approval under Agenda Item G.

59. **Department of Corrections - Humboldt Conservation Camp - FY 2013** - Addition of $20,275 in General Fund Appropriation to ensure sufficient budget authority is available for an approved deferred maintenance project. Requires Interim Finance approval pursuant to A.B. 580, Section 36 (2011 Legislature). **RELATES TO ITEM 58. Work Program #C24249**

    Refer to motion for approval under Agenda Item G.

60. **Department of Corrections - Jean Conservation Camp - FY 2012** - Addition of $9,219 in Budgetary Transfers and $2,603 in Room, Board, Transportation Charges to cover anticipated shortfalls for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C24263**

    Refer to motion for approval under Agenda Item G.

61. **Department of Corrections - Tonopah Conservation Camp - FY 2012** - Addition of $17,675 in Budgetary Transfers and $4,712 in Room, Board, Transportation Charges to provide funding for shortfalls for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C24257**

    Refer to motion for approval under Agenda Item G.

Chairwoman Smith announced that Agenda Items G-62 and G-63 would be heard together.

62. **Department of Motor Vehicles - REAL ID - FY 2013** - Addition of $257,647 in federal Department of Homeland Security – FY 2011 Drivers License Security grant funds to continue improving the security and integrity of data collected during the driver's license and identification card issuance process. This request also transfers $80,113 from the Personnel Services category to the FY 2011 Drivers License Security Grant category to eliminate a vacant position that is no longer deemed necessary. Requires Interim Finance approval since the amount added to the FY 2011 Drivers License Security Grant category exceeds $75,000. **Work Program #C24329**

    Refer to testimony and motion for approval under Agenda Item G-63.

63. **Department of Motor Vehicles - REAL ID - FY 2013** - Addition of $195,074 in federal Department of Homeland Security - FY 2010 Security grant funds to continue improving the security and integrity of data collected during the driver's license and identification card issuance process. Requires Interim Finance approval since the amount added to the 2010 Drivers License Security Grant category exceeds $75,000. **Work Program #C24349**

Deborah Cook, Chief of Administration, Administrative Services, Department of Motor Vehicles, introduced Terri Carter and Deborah Wilson, Management Services and Programs, Department of Motor Vehicles.

Ms. Cook explained Agenda Items G-62 and G-63 were requests for remaining fiscal years 2010 and 2011 Drivers License Security grant funds to be balanced forward to FY 2013. She offered to answer questions from the Committee.

Chairwoman Smith asked for an update concerning the benchmarks and compliances being moved forward for the January certification deadline.

Deborah Wilson, Management Analyst, Department of Motor Vehicles, explained 21 of the full compliance benchmarks had been met, and 18 more were to be met before the January deadline. The Department had submitted regulations to the Legislative Counsel Bureau (LCB) to obtain the legal authority to move forward with certification. Ms. Wilson said she had questioned the Department of Health and Human Services (DHHS) concerning compliance, but she had not received a response.

Chairwoman Smith asked whether the regulations would be submitted to the Legislative Commission at its September meeting. Ms. Wilson replied no; the drafts were submitted to LCB, but final drafts had not been returned to begin the workshop and hearings process.

Chairwoman Smith requested that the Department advise the Committee's Fiscal staff when an answer was received from DHHS concerning meeting the deadline. Ms. Wilson replied she would notify Fiscal staff.

Chairwoman asked for public testimony; seeing none, she called for a motion.

> ASSEMBLYMAN HARDY MOVED FOR APPROVAL OF AGENDA ITEMS G-62 AND G-63.
>
> SENATOR DENIS SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

Chairwoman Smith announced that Agenda Item G-64 and Agenda Item M would be heard together.

64. Department of Motor Vehicles - Central Services - FY 2013 - Addition of $9,829 in Registration Fees and $29,485 in Highway Contingency Funds to fund a new position for the License Plate Factory. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds $75,000. **RELATES TO AGENDA ITEM M. Work Program #C23745.**

M. REQUEST FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT (HIGHWAY FUND) PURSUANT TO NRS 353.268 – Department of Motor Vehicles – Central Services – Request for an allocation of $29,485 for a new position for the License Plate Factory in FY 2013**. RELATES TO AGENDA ITEM G.64.**

Bruce Breslow, Director, Department of Motor Vehicles (DMV), explained the request for allocation of funding in Agenda Item 64 was a result of the closure of the Nevada State Prison (NSP). The license plate factory remained open, but the types of inmates that worked at the factory were changed. Instead of a crew that had been together for many years, the inmates were now hired from the day camp and required more training. In addition, the individual skills the previous inmates had acquired over the years, one of which was graphic design, were no longer available. He said that in discussions with Department of Corrections Director Cox and Budget Division Director Mohlenkamp, it became clear that depending upon an inmate who may be released at any time to perform critical tasks, such as design the state's license plates, would not provide sufficient staffing. Director Breslow said with the change in the type of inmates and the need to train them, DMV was asking for the opportunity to add another position in the factory to perform graphic design and train and supervise inmates. The position could also train the short-time inmates in graphic design if they had an interest and the ability to use a computer, which would benefit them when they were released from NSP.

Chairwoman Smith recalled there was considerable discussion concerning the request at the June Interim Finance Committee meeting. She asked what the intent was for the inmates working in the factory – whether it was to provide jobs for them or to train them for future employment. She believed training for future employment would provide opportunities for inmates to prepare for their release.

Mr. Breslow replied from the DMV perspective, the license plate factory was there to make license plates. State law provided that the Department work with NSP to supply the labor to make the license plates. The programmers resided within DMV, and the factory workers resided within the Department of Corrections. He said providing inmates who had the ability to use a computer with an additional skill set to help them rehabilitate would be beneficial to everyone. Mr. Breslow said the new position could be used to train the inmates, which would help Prison Industries to make the license plates, as well as provide a graphic design person to design the plates.

Senator Kieckhefer asked what type of design work was performed by the graphic design person.

Mr. Breslow replied a license plate was designed from scratch and involved various ideas and constituencies. The next plate to come online was the Thunderbirds. The Department would work with representatives of the Thunderbirds with design ideas through the graphic design system. He noted that license plates did not used to be in digital graphic design.

Responding to a question from Senator Kieckhefer, Mr. Breslow explained that design efforts were not just for specialty plates; all license plates needed to be designed by a person with computer skills. He reiterated that the new position would also work with the license plate factory crew to train the prisoners to make plates, and if they were interested, train them in graphic design. He noted the inmates would be rotating in and out of the system.

Senator Kieckhefer asked how many plates would be made. Mr. Breslow replied there were currently more than 100 plates, 5 new ones had been approved, and the Legislature would possibly approve others in the 2013 Session.

Senator Kieckhefer affirmed that once a license plate was designed, it remained static and no additional design work was required. Mr. Breslow said once the design of the plate was approved, it would either move to more design or to the factory for production.

Senator Kieckhefer asked how many staff were currently in the license plate factory.

Rhonda Bavaro, Administrator, Central Services Division, Department of Motor Vehicles, replied four staff members were DMV employees, and there was an average of eight or nine inmates. Two of the DMV employees were truck drivers who loaded and delivered plates, and the other two ran the license plate factory operations and supervised the inmates. The new position would be at the factory on a daily basis to help oversee and train the new crews, as well as perform graphic design.

Senator Kieckhefer observed the request was being made from the Highway Contingency Fund, and he noted that the Nevada Department of Transportation (NDOT) had a graphic design team. He asked whether DMV had discussed cost allocating with NDOT for existing graphic designers.

Mr. Breslow replied no, but DMV would be very willing to consider that option if NDOT was interested.

Chairwoman Smith asked for further questions from the Committee; there were none. She then asked for public comment on Agenda Item G-64 and Agenda Item M; seeing none, she called for a motion. A motion was not made, and the Committee did not take action on the request for a new position in Agenda Items G-64 and M.

65. **Department of Motor Vehicles - Field Services - FY 2013** - Transfer of $332,919 from the Reserve category to the Personnel Services category, $2,221 from the Reserve category to the Operating category, and $1,640 from the Reserve category to the Information Services category to fund the remaining 10 of 30 technician positions that were placed in reserve by the 2011 Legislature. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $75,000 and the request includes new positions. **Work Program #C24004**

Bruce Breslow, Director, Department of Motor Vehicles, recalled that the 2011 Legislature authorized 30 new positions but placed the funding in reserve and asked the Department to request funding for the positions from the Interim Finance Committee as they were needed. He noted that the Committee had earlier approved 20 positions and requested that the Department return to the Committee to justify the need for the additional 10 positions after the new kiosks had been in the market for a time.

Mr. Breslow said 45 kiosks were now in place, and more than 500,000 transactions were performed on the kiosks this year, transactions that did not take place in a DMV office. The DMV Internet alternative services usage increased by 3 percent over the previous year, but more than 100,000 people came to the DMV offices just in the metropolitan offices. Mr. Breslow noted that only the metropolitan offices had a queuing system; the wait times and number of individuals that came to the rural offices also increased, but the exact numbers were not available. However, in the Elko and Winnemucca area where the mining boom was occurring, the traffic in the Elko DMV office had more than doubled and the wait times averaged longer than two hours.

In summary, with 100,000 new customers in this year, plus 500,000 kiosk transactions and 3 percent increase in Internet activity, Mr. Breslow said obviously there were more DMV customers. He recalled he tried to justify the need for the positions when the initial request for positions was made two years before, and now with the additional statistics, he asked the Committee to support the request for the final 10 positions from reserve.

Assemblyman Grady said bringing the positions on slowly from the 30 that were originally requested was causing problems because DMV had to reassign Drive Test Examiners to work in the office. Customers were having to wait longer for driving tests, in some cases up to a month longer. He asked whether the additional 10 positions would solve the driver test wait-time problem.

Mr. Breslow replied DMV had made an administrative decision to not use the Drive Test Examiners at the windows, except in the rural areas. The wait to get a drive test had been more than 60 days in the metropolitan areas, but the average time now ranged between 2 and 5 days. However, he said a problem still existed in the rural areas because of the difficulty in staffing; the drive test wait times were still over 60 days. Volunteers had been recruited to help staff the Elko office, and willing Drive Test Examiners were assigned to assist Elko for a week at a time.

Chairwoman Smith asked why the Department had conducted a 5-month wait-time study rather than the normal 12-month study.

Mr. Breslow replied information was supplied to the Fiscal Analysis Division every month, but the 5-month period was specifically timed to the Committee's request to wait until the 18 new kiosks were up and running before returning to request the additional 10 positions. He noted the months included in the study typically showed a decline in wait times; he recalled that wait times in March and April 2011 were less than

30 minutes, but that was not true this year – wait times were close to an hour in the springtime.

Chairwoman Smith recalled that the Committee had previously approved 20 positions, and she understood there was a long training program for new employees at the windows. She asked whether the new 20 positions had improved the wait times and if Mr. Breslow expected the kiosk usage to increase, which would also help reduce wait times.

Mr. Breslow replied the training had been 16 to 20 weeks, depending upon when the employees were hired, but the training was now 5 weeks. The kiosk and Internet use would continue to increase, but the problem was the population was also increasing.

Chairwoman Smith asked whether the wait times in the Elko office were based on only one week. Mr. Breslow reiterated that the Elko office did not have a queuing system to provide the numbers. He asked one of the Drive Test Examiners who went to Elko to physically count the customers for a week just to get an idea of the wait times. The demographics in Elko were also considered; the population had rocketed, not only with permanent residents, but also with an influx of mineworkers. There was a problem getting the mineworkers' cars registered in Nevada even though they were living in Elko. Mr. Breslow said wait times in Elko were clearly a problem, and the same problem existed in Winnemucca. Currently there were only three employees in the Winnemucca DMV office, but there was no housing available in Winnemucca or Elko because the mines had purchased the apartments for ten-year leases. New employees needed to be hired from the local communities because of lack of housing.

Assemblyman Goicoechea said clearly there were problems in Elko. Part of the problem was there used to be a test facility in Ely, and now everyone in the rural areas, including drivers needing a commercial driver's license (CDL), had to go to Elko. He had constituents complain that they had gone to Elko to take the CDL test and did not complete it, and it would be three weeks before they could schedule completion of the test. Assemblyman Goicoechea suggested that a test facility in Ely might help.

Nancy Wojcik, Administrator, Field Services Division, Department of Motor Vehicles, said that Assemblyman Goicoechea was correct; commercial driver's licenses were issued in Ely and Elko. For a period of time, the number of drivers requesting a test in Ely depleted, and the testing was moved to the Elko office. She was currently updating all of the Department's commercial requirements and attempting to get another examiner in Elko; one examiner had just been lost to another location, leaving the Elko office down one position.

Assemblyman Goicoechea asked whether CDL testing ever took place in Winnemucca. Ms. Wojcik replied CDL testing still took place in Winnemucca, but the staff consisted of one supervisor and one examiner. She noted that for a time the commercial driving course was not usable and had to be resurfaced, but it was now able to be used.

Ms. Wojcik said the Department was in the process of revising commercial testing and training procedures for the upcoming new federal requirements.

Chairwoman Smith asked for questions from Committee members; there were none. There was no public comment.

Chairwoman Smith asked whether there was another option; the discussion had revolved around the Elko and rural offices. The wait times in the urban areas did not seem to be dramatic, but Elko and Winnemucca had problems. She asked Assemblyman Goicoechea for his recommendation.

Assemblyman Goicoechea replied the rural areas definitely needed help, especially with the commercial driver's license testing. An applicant could take the written exam, but might have to wait three or four weeks to schedule the drive test if it could not be completed on the same day. He explained that a company would have to send an employee with a CDL to drive the applicant for the test, and the cost of sending the applicant, the driver, and the truck could amount to $500 per day.

Chairwoman Smith said the request was for four positions in Elko and one position in Winnemucca. She asked what positions were absolutely needed to better serve the constituents.

Ms. Wojcik replied the four positions would be able to staff all of the windows in the Elko office and allow the Drive Test Examiners to resume testing. She said Winnemucca would be in the same situation, but the number of stations was limited; the additional position would enable a Drive Test Examiner and the supervisor to resume administration of driving tests.

Assemblywoman Mastroluca asked Fiscal staff to verify that the new positions would not be included in the 2013-2015 base budget.

Chairwoman Smith recalled that provision was included in the motion to approve 20 positions at a previous IFC meeting.

Assemblyman Kirner asked how long it would take to hire and train the new employees. Ms. Wojcik replied she was in the process of replacing staff who had retired or resigned and she had a current applicant list. An open recruitment usually took 10 to 14 days, and a computer training program had been implemented to eliminate the necessity for staff to attend training in Carson City and Las Vegas. The employees would be able to staff the windows much quicker than before.

> ASSEMBLYMAN GRADY MOVED FOR APPROVAL OF FOUR POSITIONS IN THE ELKO DMV OFFICE AND ONE POSITION IN THE WINNEMUCCA DMV OFFICE, WITH THE FOLLOWING PROVISIONS: THE POSITIONS WOULD NOT BE INCLUDED IN THE 2013-2015 BIENNIAL BASE BUDGET, AND THE

REMAINING FIVE POSITIONS FUNDED BY THE 2011 LEGISLATURE WOULD BE HELD IN RESERVE.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

Chairwoman Smith stated the Budget Division and the Fiscal Analysis Division staff would work with DMV to determine the final dollar amount involved since the original request was for 10 positions. She reminded Committee members that funding for the positions had been placed in reserve in the 2011 Legislative Session.

Assemblyman Bobzien asked for an update on the next phase of website services, which he understood would involve creation of a portal system with customers having a unique identifier to give them access to their records. He wondered whether the system would be completed by the 2013 Legislative Session.

Mr. Breslow replied the portal would be done and ready by the 2013 Legislative Session. Customers would be allowed to change their addresses online, which required extensive computer programming. The portal would also involve obtaining email addresses to remind customers of their registration due dates, which would reduce the cost of mailing postcard reminders. Mr. Breslow said programmers were working with the county assessors to allow veterans to use their exemptions online, which should be completed by the end of October in the rural counties; Washoe County should be online by the legislative session, and Clark County would not be online until later next year.

Assemblyman Bobzien thanked Mr. Breslow for the information, adding that the portal system was a part of the overall plan to reduce wait times and improve services.

THE MOTION TO APPROVE AGENDA ITEM G-65 AS AMENDED CARRIED. (Senator Rhoads was excused and not present for the vote.)

66. **Department of Motor Vehicles - Field Services - FY 2013** - Addition of ~~$417,951~~ ***$406,013*** in federal American Association of Motor Vehicle Administrators (AAMVA) Commercial Drivers License (CDL) Model Testing grant funds to balance forward remaining authority and continue to enhance the model in all testing locations. Requires Interim Finance approval since the amount added to the AAMVA CDL Testing Model category exceeds $75,000. **Work Program #C24365. REVISED 8-6-12.**

    Refer to motion for approval under Agenda Item G.

67. **Department of Public Safety - Forfeitures - Law Enforcement - FY 2013** - Transfer of $64,433 from the Reserve category to the Records Management Support (RMS) category to fund a portion of the software interface for the statewide traffic citation and accident tracking system and costs associated with two positions supporting the computer-aided dispatch/RMS. Requires Interim

Finance approval since the cumulative amount transferred to the RMS category exceeds $75,000. **Work Program #C24099**

Refer to motion for approval under Agenda Item G.

68. Department of Public Safety - Forfeitures - Law Enforcement - FY 2013 - Transfer of $52,450 from the Reserve category to the Nevada Highway Patrol (NHP) Federal Forfeitures category to fund the purchase of highway interdiction tools that aid officers in the detection of contraband. Requires Interim Finance approval since the amount added to the NHP Federal Forfeitures category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24167**

Refer to motion for approval under Agenda Item G.

69. Department of Public Safety - Forfeitures - Law Enforcement - FY 2013 - Transfer of $124,006 from the Reserve category to the Nevada Highway Patrol Federal Forfeitures category, $9,213 from the Reserve category to the Nevada Division of Investigations Federal category, and $6,972 from the Reserve category to the Capitol Police category to purchase ballistic helmets to protect officers during tactical situations that require rapid deployment to support state and local agencies during critical incidents. Requires Interim Finance approval since the amount transferred to the NHP Federal Forfeitures category exceeds $75,000. **Work Program #C24168**

Refer to motion for approval under Agenda Item G.

70. Department of Public Safety - Emergency Management - FY 2013 - Addition of $637,540 in federal Department of Emergency Management - Department of Homeland Security grant funds transferred from the Department of Public Safety - Emergency Management Assistance Grants account to support activities relating to emergency preparedness capabilities. Requires Interim Finance approval since the amount added to the Homeland Security Grant Program Resource Management category exceeds $75,000. **Work Program #C24187**

Refer to motion for approval under Agenda Item G.

71. Department of Public Safety - Emergency Management - FY 2013 - Addition of $189,570 in federal Department of Emergency Management - Department of Homeland Security grant funds transferred from the Department of Public Safety - Emergency Management Assistance Grants account to allow the division to work on program areas and increase the state's emergency preparedness level. Requires Interim Finance approval since the amount added to the State Homeland Security Program category exceeds $75,000**. Work Program #C24198**

Refer to motion for approval under Agenda Item G.

72. **Department of Public Safety - Emergency Management - FY 2013** - Addition of $250,000 in federal Department of Emergency Management - Department of Homeland Security grant funds transferred from the Department of Public Safety - Emergency Management Assistance Grants account for the Automated Critical Asset Management System. Requires Interim Finance approval since the amount added to the State Homeland Security Program category exceeds $75,000. **Work Program #C24200**

    Refer to motion for approval under Agenda Item G.

73. **Department of Public Safety - Emergency Management Assistance Grants - FY 2013** - Addition of $441,987 in federal Pre-Disaster Mitigation grant funds to accept the FFY 2012 award for two pre-disaster mitigation projects. Requires Interim Finance approval since the amount added to the Pre-Disaster Mitigation category exceeds $75,000. **Work Program #C24189**

    Refer to motion for approval under Agenda Item G.

74. **Department of Public Safety - Criminal History Repository - FY 2013** - Addition of $213,900 in federal Department of Public Safety Criminal Justice, Justice Assistance Grant (JAG) funds transferred from the Department of Public Safety - Justice Assistance Grant Trust account to fund three positions and associated costs for the Nevada Criminal Justice Information System modernization project. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $75,000. **RELATES TO ITEM 75. Work Program #C24117**

Patrick Conmay, Chief, Division of Records and Technology, Department of Public Safety (DPS), explained Agenda Item G-74 requested addition of $213,900 in federal Justice Assistance Grant (JAG) funding for the purpose of funding three positions and associated costs related to the modernization of the Nevada Criminal Justice Information System (NCJIS).

Mr. Conmay said the system modernization project was the result of the Criminal History Repository study that was approved on October 25, 2011. The Criminal History Repository was mandated to maintain records of criminal history for the state, and the DPS Division of Records and Technology maintained the technology and operational responsibility for the system. The system contained the state's Criminal History Repository, along with a series of other files that were critical to public safety in the state. It was used to make critical and important safety decisions on a daily basis and was relied upon by local, state, and federal law enforcement agencies across the nation.

Mr. Conmay explained the current NCJIS was antiquated and at risk of failure. The project to modernize the system would be a massive undertaking, and the Division of Records and Technology did not have staff available to devote the required time and effort toward the project. The Division was requesting three Business Process Analyst positions to work solely on the modernization process over a period of time.

Senator Denis asked whether the system would be phased in and how long it would take.

Mr. Conmay said the study had outlined a blueprint for the Division to replace the system over a period of years. The Business Process Analyst 3 position would be the program manager; one of the Business Process Analyst 2 positions would be assigned to design the business needs for the Repository part of the replacement, and the other position would address the needs of the Parole and Probation Division and replacement of the OTIS (Offender Tracking Information System) components, which were also part of the system.

Senator Denis asked whether ultimately there would be one system that would incorporate all of the components. Mr. Conmay replied yes, ultimately it would replace the existing NCJIS system with state-of-the-art capabilities. The study had indicated it would be a six-year process.

Chairwoman Smith asked how the plan would be funded and what would happen to the analyst positions when the funds were expended.

Mr. Conmay replied the positions would be in the 2013-2015 biennial budget for review when the funds expired. At some point in time, the system would be replaced and the positions would no longer be necessary. It was the Division's intent to fund the positions from reserves in the Repository budget.

Senator Denis asked if the Division had a plan if the system failed before the project was completed. Mr. Conmay said the existing system would continue operating until the new system was built. He said there was always a possibility that the system could fail, and if that happened, the Division would need to request funding to repair or replace the system. He again noted that all public criminal justice and public safety agencies in the state relied upon the system.

Chairwoman Smith asked what the consequences would be if the funding was not approved. Mr. Conmay replied the Division would continue to try to operate the system and would request funding in its 2013-2015 biennial budget. He pointed out that the reason for the request at this time was the agency's intent to seek funds from sources other than the state. Grant funds were available now, but they would not be available during the next budgetary cycle.

Chairwoman Smith requested clarification of the purpose of the three positions. Mr. Conmay said the Business Process Analyst 3 would be the modernization program manager and responsible for the development of a strategic plan that would define the scope, the governance, and other activities identified in the study that would be necessary to successfully accomplish a complex project. The Business Process

Analyst 2 positions would assist the two main functions affected by the project, the Criminal History Repository and the Division of Parole and Probation, in identifying their specific business needs for the system to address going forward. Mr. Conmay explained the project was to modernize the system, but over time, some of the needs were evolving and changing. Mr. Conmay added that the new positions would be used to seek other funding sources, but that was not their primary responsibility.

Senator Denis observed the three positions would be supported by grant funding for one year, but it would take several years to complete the project. Mr. Conmay explained the grant funding was for one year, and it was the Division's intention to include the positions in its 2013-2015 biennial budget request to be funded by reserves.

Senator Denis noted the project also involved a contractor to complete the conversion, and he asked how long the contractor's services would be required. Mr. Conmay said the contractor was part of the request that was withdrawn; the contractor was related to the technology side of the project and, among other things, would oversee a proof of concept project, which would be submitted later. If the project was approved, Mr. Conmay anticipated the contractor would be needed for the entire length of the modernization project. In the meantime, the Division was looking at tools that the Enterprise Information Technology System (EITS) may have available.

Senator Kieckhefer asked whether a Technology Investment Request (TIR) would be required to implement the project once it was planned. Mr. Conmay replied he was correct; the Division had held conversations with EITS concerning the timing of the TIR.

Senator Kieckhefer asked whether the TIR would be submitted to the 2013 Legislature. Mr. Conmay referred the question to Catherine Krause.

Catherine Krause, Chief Information Technology Manager, Department of Public Safety, said in the Division's conversations with EITS regarding the TIR, because the project was a large multi-year effort, multiple TIRs for separate projects, all referencing the overall strategic plan, were anticipated.

Senator Kieckhefer asked whether the project being proposed was a six-year study period. Ms. Krause replied that was not correct. The next year would involve initial planning, but she estimated that most of the TIRs would be requested in the next two or three years. She anticipated at least one TIR would be submitted during the 2013 Legislative Session.

Senator Kieckhefer asked how a TIR could be implemented before the strategic plan was completed. Ms. Krause replied the study that was approved in October 2011 was completed through a vendor. Because the project was so large and encompassing, the Division was reviewing the results of the study and putting the details and requirements together to create multiple subprojects.

Senator Kieckhefer asked whether the study had recommended what the Division needed, and now three positions were required to determine how to implement the project.

Mr. Conmay said he may not have clearly explained the complexity of the study's results. The study had recommended six distinct initiatives that the Division needed to accomplish over time, and they addressed the movement from the current environment to the desired state in the future. They focused on actions to prepare for and manage the overall project, take the initial actions to acquire key enabling systems, and then replace the major systems, all of which would enhance the capabilities of the system. Mr. Conmay said he would describe the study as the blueprint, and the positions would identify the best path forward to complete the study's initiatives.

Senator Kieckhefer asked whether the Division had sufficient reserves to fund the positions for the length of the project. Mr. Conmay replied it did.

> SENATOR DENIS MOVED FOR APPROVAL OF AGENDA ITEM G-74.
>
> ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.
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> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote. Assemblyman Hardy was not present for the vote.)

75. Department of Public Safety - Criminal History Repository - FY 2013 - Addition of $63,185 in federal Department of Public Safety Criminal Justice, Justice Assistance Grant funds transferred from the Department of Public Safety - Justice Assistance Grant Trust account for the Nevada Criminal Justice Information System modernization project. Requires Interim Finance approval since the cumulative amount added to the Modernization Project category exceeds $75,000. **RELATES TO ITEM 74. Work Program #C24179. WITHDRAWN.**

76. Department of Public Safety - Criminal History Repository - FY 2013 - Addition of $33,057 in federal Office of Criminal Justice Assistance, ARRA grant funds transferred from the Department of Public Safety - Justice Assistance Grant Trust account to purchase computer hardware and software for court dispositions and digitizing paper fingerprint cards. Requires Interim Finance approval since the amount added to the ARRA Dispositions and Fingerprints category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24219**

Refer to motion for approval under Agenda Item G.

77. **Department of Public Safety - Criminal History Repository - FY 2013** - Deletion of $137,498 in federal funds from previous year to align remaining federal funds with state authority. Requires Interim Finance approval since the amount deducted from the ARRA Dispositions and Fingerprints category exceeds $75,000. **Work Program #C23926**

    Refer to motion for approval under Agenda Item G.

78. **Department of Public Safety - Highway Safety Plan and Administration - FY 2013** - Addition of $1,733,277 in Nevada Department of Transportation (NDOT) federal Flex Funds transferred from the Department of Public Safety - Traffic Safety account to balance forward authority to continue highway safety programs. Requires Interim Finance approval since the amount added to the NDOT Flex Funds category exceeds $75,000. **Work Program #C24121**

    Refer to motion for approval under Agenda Item G.

79. **Department of Public Safety - Traffic Safety - FY 2013** - Addition of $86,264 in federal Highway Administration grant funds transferred from the Nevada Department of Transportation to balance forward federal authority to continue highway safety programs. Requires Interim Finance approval since the amount added to the NDOT Flex Funds category exceeds $75,000. **Work Program #C24136**

    Refer to motion for approval under Agenda Item G.

80. **Department of Conservation and Natural Resources - Forestry - FY 2013** - Addition of $48,955 in Minden Dispatch Cooperative Agreement Reimbursement funds to cover an allocated portion of utilities, building maintenance costs, and unanticipated repair costs that may be incurred for the Minden Dispatch building. Requires Interim Finance approval since the amount added to the Minden Dispatch Cooperative Agreement category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24169**

    Refer to motion for approval under Agenda Item G.

Chairwoman Smith announced that Agenda Items G-81 and G-82 would be heard together pursuant to Senator Kieckhefer's request.

81. **Department of Conservation and Natural Resources - State Parks - FY 2012** - Transfer of $169,000 in General Fund salary savings to the Division of Water Resources due to a projected shortfall in salaries. Requires Interim Finance approval since the amount deducted from the Personnel Services category exceeds $75,000. **RELATES TO ITEM 82. Work Program #C24086**

    Refer to motion for approval under Agenda Item G-82.

82. Department of Conservation and Natural Resources - Water Resources - FY 2012 - Transfer of $169,000 in General Fund salary savings from State Parks due to a projected shortfall in salaries. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $75,000. **RELATES TO ITEM 81. Work Program #C24084**

Senator Kieckhefer said he had noted that the Division of State Parks was transferring salary savings to the Division of Water Resources, and the amount exceeded what had been budgeted for salary savings. He asked how the savings were being realized.

Eric Johnson, Deputy Administrator, Division of State Parks, Department of Conservation and Natural Resources, replied eight positions were vacant for an average of three months each during fiscal year (FY) 2012, which was nearly 10 percent of the Division's staff. He added that it took an extended period of time to recruit for and fill the positions, and consequently additional salary savings had been realized.

Senator Kieckhefer affirmed that the savings were not realized by leaving positions open for a period of time. Mr. Johnson said the positions were not held open intentionally; there had just been delays in filling them.

Chairwoman Smith clarified that the delays were caused by the slow personnel process and not because of a lack of applicants. Mr. Johnson concurred.

Chairwoman Smith reminded the Committee that the transfer amount of $169,200 in the original work programs had been reduced to $122,500. She called for a motion.

> SENATOR KIECKHEFER MOVED FOR APPROVAL OF AGENDA ITEMS G-81 AND G-82 AS AMENDED.
>
> ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote.)

83. Department of Conservation and Natural Resources - Environmental Protection - State Revolving Fund Administration - FY 2012 - Addition of $8,656 in federal Environmental Protection Agency (EPA) Water Pollution Control State Revolving Loan Fund (SRLF) grant funds and $25,966 in federal EPA Drinking SRLF Administration grant funds to cover a projected shortfall in salaries. Requires Interim Finance approval since the cumulative change to the Personnel Services category exceeds $75,000. **Work Program #C24193**

Refer to motion for approval under Agenda Item G.

84. **Department of Wildlife - Wildlife Fund - FY 2013** - Transfer of $310,000 from the Trout Reserve category to the Transfer to Fisheries Management category for a well and pump house replacement at the Mason Valley Hatchery. Requires Interim Finance approval since the amount transferred to the Transfer to Fisheries Management category exceeds $75,000. **RELATES TO ITEM 90. Work Program #C23853**

Refer to motion for approval under Agenda Item G.

85. **Department of Wildlife - Wildlife Fund - FY 2013** - Transfer of $39,356 from the Reserve category to the Transfer to Conservation Education category; $120,892 from the Reserve category to the Transfer to Game Management category; $769,086 from the Restricted Reserve category to the Transfer to Habitat category; $18,975 from the Boating Reserve category to the Transfer to Fisheries Management category; and $99,645 from the Trout Reserve category to the Transfer to Fisheries Management category for projects related to conservation education, game management, fisheries management, habitat rehabilitation, restoration, and data collection. Requires Interim Finance approval since the amount transferred to the Transfer to Habitat category exceeds $75,000. **RELATES TO ITEMS 87, 89, 91, 93, 94, 95, 96 and AGENDA ITEM E.4. Work Program #C24003**

Refer to motion for approval under Agenda Item G.

86. **Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of $180,416 from the Trout Reserve category to the Transfer to Fisheries Management category and transfer of $209,240 from the Reserve category to the Transfer to Fisheries Management category to realign authority within this account to accurately reflect expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Transfer to Fisheries Management category exceeds $75,000. **Work Program #C24324**

Refer to motion for approval under Agenda Item G.

87. **Department of Wildlife - Conservation Education - FY 2013** - Addition of $39,356 in Unrestricted Revenue transferred from the Wildlife Fund account for the redesign and redevelopment of the department's public web site. Requires Interim Finance approval since the cumulative amount added to the Administration category exceeds $75,000. **RELATES TO ITEM 85. Work Program #C24211**

Refer to motion for approval under Agenda Item G.

88. **Department of Wildlife - Law Enforcement - FY 2013** - Addition of $750,000 in U.S. Fish and Wildlife Service Sport Fish Restoration Boating Access grant funds for a boating access project at Lake Mojave. Requires Interim Finance approval

since the amount added to the Boating Access Improvement category exceeds $75,000. **Work Program #C24182**

Refer to motion for approval under Agenda Item G.

89. Department of Wildlife - Game Management - FY 2013 - Addition of $362,677 in U.S. Department of the Interior, Fish and Wildlife Service - Wildlife Restoration W70 grant funds and $120,892 in Unrestricted Revenue transferred from the Wildlife Fund account for continuation of the Mule Deer Management and Research Program. Requires Interim Finance approval since the amount added to the Mule Deer Research category exceeds $75,000. **RELATES TO ITEM 85. Work Program #C23974**

Refer to motion for approval under Agenda Item G.

90. Department of Wildlife - Fisheries Management - FY 2013 - Addition of $310,000 in Trout Stamp Fees transferred from the Wildlife Fund account for a well and pump house replacement at the Mason Valley Hatchery. Requires Interim Finance approval since the amount added to the Hatchery Refurbishment category exceeds $75,000. **RELATES TO ITEM 84. Work Program #C23851**

Refer to motion for approval under Agenda Item G.

91. Department of Wildlife - Fisheries Management - FY 2013 - Addition of $56,925 in U.S. Department of the Interior, Fish and Wildlife Service – Sport Fish Aquatic Invasive Species (AIS) Outreach and Inspection grant funds and $18,975 in Boating Fee Reserve funds transferred from the Wildlife Fund account to support aquatic invasive species public outreach and education activities. Requires Interim Finance approval since the amount added to the AIS Outreach and Inspection category exceeds $75,000. **RELATES TO ITEM 85. Work Program #C24175**

Refer to motion for approval under Agenda Item G.

92. Department of Wildlife - Diversity - FY 2013 - Addition of $51,250 in U.S. Department of Energy grant funds for participation in the Western Governors' Association Critical Habitat Assessment Tool project. Requires Interim Finance approval since the cumulative change to the State Wildlife Grant Plan Implementation category exceeds $75,000. **Work Program #C23857**

Refer to motion for approval under Agenda Item G.

93. Department of Wildlife - Habitat - FY 2013 - Addition of $267,266 in Upland Game Stamp Fees transferred from the Wildlife Fund account for upland game bird projects as approved by the Nevada Board of Wildlife Commissioners. Requires Interim Finance approval since the amount added to the Upland Game category exceeds $75,000. **RELATES TO ITEM 85. Work Program #C24145**

Refer to motion for approval under Agenda Item G.

94. **Department of Wildlife - Habitat - FY 2013** - Addition of $139,508 in Habitat Conservation Fees transferred from the Wildlife Fund account for habitat related projects. Requires Interim Finance approval since the amount added to the Habitat Rehabilitation/Restoration category exceeds $75,000. **RELATES TO ITEM 85. Work Program #C24229**

    Refer to motion for approval under Agenda Item G.

95. **Department of Wildlife - Habitat - FY 2013** - Addition of $296,563 in Mining Assessments transferred from the Wildlife Fund account for mining related projects to protect, enhance, or rehabilitate wildlife habitat and their associated wildlife values. Requires Interim Finance approval since the amount added to the Wildlife Mining Rehabilitation category exceeds $75,000. **RELATES TO ITEM 85. Work Program #C24242**

    Refer to motion for approval under Agenda Item G.

96. **Department of Wildlife - Habitat - FY 2013** - Addition of $65,749 in Duck Stamp Fees transferred from the Wildlife Fund account for projects approved by the Nevada Board of Wildlife Commissioners. Requires Interim Finance approval since the cumulative amount added to the Duck Stamp Projects category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 85. Work Program #C24243**

    Refer to motion for approval under Agenda Item G.

97. **Department of Transportation - FY 2013** - Addition of $350,000 in Highway Fund Authorization, $1,400,000 in federal Highway Administration grant funds, $7,950,000 in Agreement Income, and $6,500,000 in funds transferred from the NDOT S.B. 5 Regional Transportation Commission Public Road Project account to fund the construction portion of reopening F Street under Interstate 15 in Las Vegas, Nevada in accordance with A.B. 304 (2009 Legislature). Requires Interim Finance approval since the amount added to the F Street Project category exceeds $75,000. **Work Program #C24522.**

Susan Martinovich, Director, Nevada Department of Transportation, introduced Scott Sisco, Assistant Director, Administrative Services, Nevada Department of Transportation (NDOT).

Ms. Martinovich explained Agenda Item G-97 provided revenue and expenditure authority to authorize expenditure of federal grant money, funds from the City of Las Vegas, and funds pursuant to Senate Bill 5 of the 26th Special Session (2010) for the purpose of opening F Street in Las Vegas. She said that F Street was part of the project under the Interstate 15 corridor.

Ms. Martinovich said the Department was seeking Interim Finance Committee approval because verification was needed that the expenditure of funds would be in compliance with what was defined in Assembly Bill 304 of the 75th Legislative Session (2009). The bill specifically stated that the City of Las Vegas would provide $20 million in funding to reopen F Street by leveraging its share of the county's special five-cent ad-valorem capital project tax in order to issue obligation bonds.

Ms. Martinovich went on to explain the City of Las Vegas was only able to raise $8.1 million, and in moving forward with the agreement, the Attorney General's Office recommended that the agreement include the provision that the city would need to have the law modified by the 2013 Legislature. If that could not be done, the city would have to pay the state back. She said the city was not able to sign the agreement with that provision, and NDOT was not able to sign it without the provision. Therefore, Ms. Martinovich explained, the Department needed verification that the intent of A.B. 304 was to fund the opening of F Street. She said the Department had funding to complete F Street, but official verification was needed of the fact that the City of Las Vegas would provide $8.1 million, and not $20 million, toward the project.

Chairwoman Smith asked the Committee's legal counsel to opine on the matter. She believed the Committee's function was to authorize the Department of Transportation to receive the funds from the City of Las Vegas. Implementation of legislation was not the Committee's function.

Eileen O'Grady, Chief Legislative Counsel, Legislative Counsel Bureau, stated that with respect to Assembly Bill 304 (2009 Session), one of the leading rules of statutory construction was to ascertain the intention of the Legislature in enacting the statute, and the intent, when determined, would prevail over the literal sense. Ms. O'Grady said the spirit of A.B. 304 was for Las Vegas and NDOT to work collaboratively to fund and bring about the reopening of F Street. The statute originally required the city to pay approximately one third of the original cost of the project. Under the work program, Las Vegas would be paying approximately one half of the cost of the project. Proportionately, that was more than the city's original share.

Ms. O'Grady said that to require Las Vegas to pay more than $20 million would result in the city paying the entire cost of the project. She said based on the changed circumstances, Legal Counsel opined that the work program change carried out the intent of A.B. 304 by having Las Vegas and NDOT collaboratively fund the reopening of F Street.

Senator Kieckhefer said he did not recall the Committee ever being asked to interpret statute, much less give its stamp of approval on an interpretation of statute for the entire Legislature. He asked whether the situation occurred regularly.

Ms. O'Grady replied similar instances did arise when the Committee's Legal Counsel had to determine the intent of the statute and whether money was allowed to be expended for certain purposes. She said Assembly Bill 304 was odd in that the actual funding for the project was in a separate bill, and Legal Counsel believed that a work program change pursuant to NRS 353.220 was an appropriate method to revise the funding for the project. She added the funding arrangement was in the Department of Transportation's implementation plan.

Senator Kieckhefer surmised the meaning of the statute was more important than the wording of the statute, so the *shall* in the statute did not necessarily mean anything as long as the intent of the statute was followed.

Ms. O'Grady said the ultimate determination was legislative intent, and the rules of statutory interpretation said the meaning would prevail over the literal sense. In this case, the Legislature had wanted Las Vegas to contribute a proportion of the funding for the project, which was one-third; circumstances had changed, and the Legislature had never intended for the city to fund the entire project.

Chairwoman Smith asked for further questions, and there were none. She then asked for public comment.

Arby Hambric, 603 West Adams, Las Vegas, Nevada, testified he lived on the corner of F Street and Adams and had been affected by the project since it started seven years ago. He knew that passage of Assembly Bill 304 was a priority, and he wanted to know when the F Street project would begin and when it would be completed.

Ms. Martinovich replied the Department had been waiting for authority to modify the agreement. With the Committee's approval today, the agreement would be modified and the project would be advertised within the next two to four weeks. Construction was anticipated to take about a year. She explained it was a difficult project because the street would be built underneath the interstate, and the integrity of the interstate needed to be maintained. Ms. Martinovich said the project would be expedited in any way possible.

Mr. Hambric thanked Ms. Martinovich and requested that the project be completed as soon as possible.

ASSEMBLYMAN ATKINSON MOVED FOR APPROVAL OF AGENDA ITEM G-97.

SENATOR DENIS SECONDED THE MOTION.

Chairwoman Smith called for a roll call vote.

THE MOTION CARRIED.

(Senators Denis, Horsford, Parks, and Schneider voted yes; Assemblymen Anderson, Atkinson, Bobzien, Carlton, Conklin, Goicoechea, Hogan, Kirner, Mastroluca, Bustamante Adams, and

Smith voted yes. Senators Cegavske and Kieckhefer voted no; Assemblymen Grady, Hambrick, Hardy, and Hickey voted no.)

(Senator Rhoads was excused and not present for the vote.)

Chairwoman Smith asked for information on the Meadowood interchange construction in Reno. She had received many complaints.

Ms. Martinovich explained the project was being funded entirely by American Recovery and Reinvestment Act (ARRA) funds and was behind schedule. The Department was working with the contractor on ways to expedite and finish the project. There were some problems related to materials and temperatures, but the Department was working toward completion of the project as soon as possible. She would update the Committee's Fiscal staff of the project's status.

Chairwoman Smith congratulated Ms. Martinovich on her retirement from the state and thanked her for her many years of service. She noted the state had experienced extreme growth in previous years, and everyone appreciated Ms. Martinovich's dedication to the Department and the state.

Ms. Martinovich thanked Chairwoman Smith. She noted that the I-580 project between Reno and Carson City would be opened the following weekend, and ribbon-cutting had just taken place for the I-15 project in southern Nevada.

98. Adjutant General and National Guard - Military - FY 2013 - Addition of $1,334,869 in federal Department of Defense funds to provide for telecommunications improvements and Army security provisions for the National Guard. Requires Interim Finance approval since the amount added to the Telecommunications category exceeds $75,000. **Work Program #C24262**

Refer to motion for approval under Agenda Item G.

99. Office of Veterans' Services - Veterans' Home Account - FY 2012 - Transfer of $30,000 from the Reserve category to the Maintenance of Buildings and Grounds category and $15,000 from the Reserve category to the Information Services category to cover projected shortfalls due to unanticipated expenditures. Requires Interim Finance approval since the amount transferred to the Maintenance of Buildings and Grounds category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24164**

Joe Palmer, Administrative Services Officer, Office of Veterans' Service, explained Agenda Item G-99 was a request to transfer $18,062 from category 86, Reserve, to category 7, Maintenance of Buildings and Grounds, and $14,599 from Reserve to category 26, Information Technology. He said the transfers were necessary because a water storage tank at the Veterans' Home failed on April 30, 2012. The tank was a

1,000-gallon hot-water storage tank that served 170 residents, 180 employees, laundry facilities, and the kitchen facility.

Chairwoman Smith recalled a similar situation in fiscal year (FY) 2011 when Veterans' Home expenditures were not properly processed by the Office of Veterans' Services (Office).

Mr. Palmer said when the tank failed on April 30, the Office contacted its Budget Analyst and the State Public Works Division (SPWD). The SPWD mechanical engineers determined that they could not repair the tank and a new one would have to be ordered. The engineers were able to patch the tank until it could be replaced. Mr. Palmer said the costs to repair the tank were not known; they were anticipated to be $30,000, but an estimate was not obtained until June 2012. The vender would provide two 500-gallon tanks, but he would not proceed without a purchase order, which was issued on June 22, 2012.

Chairwoman Smith asked why, since it was a health and safety issue, the Office did not process an expeditious work program in a timely manner. Mr. Palmer said it took the mechanical engineers and the vendor until June to determine what was needed.

Mike Chapman, Deputy Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted that Fiscal staff had worked with the Office of Veterans' Services on the costs of the water heater and the information system items. It was his understanding that the agency and the Budget Division had agreed to reduce the amount in category 7, Maintenance of Buildings and Grounds, from $30,000 to $18,062, and the amount in category 26, Information Technology, from $15,000 to $14,599, with corresponding adjustments to category 86, Reserve.

Mr. Palmer stated the Office of Veterans' Services concurred with the adjustments.

Chairwoman Smith asked why the information technology items were purchased without legislative approval. Mr. Palmer said in April 2012, the agency had submitted a work program when it realized there was going to be a shortfall in category 26, Information Technology. The Office also anticipated receiving $1.7 million in excess revenue, which was not enough to cover the shortfalls. The Office was not budgeted for any enhancements, and most of the items were basic equipment – monitors, battery back-up systems, and printers.

Chairwoman Smith said the Committee had expressed ongoing frustration when items came before it that had not been brought forward during the last legislative session. The Committee was faced with the decision whether to approve the items even though they were not included in the biennial budget. Furthermore, she pointed out, in this case the expenditures had not been made in a timely manner or within the budget process. She noted the Committee had expressed the same frustration in FY 2011 regarding the parking lot seal project at the Veterans' Home.

Chairwoman Smith directed Mr. Palmer and the Office of Veterans' Affairs to work with the Fiscal Analysis Division staff and the Budget Division to avoid similar situations that placed the Committee in a difficult position in the future.

Chairwoman Smith asked for further questions from the Committee; there were none.

> ASSEMBLYMAN ATKINSON MOVED FOR APPROVAL OF AGENDA ITEM G-99 AS AMENDED
>
> SENATOR KIECKHEFER SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Rhoads was excused and not present for the vote. Senator Schneider was not present for the vote.)

100. Silver State Health Insurance Exchange - Administration - FY 2013 - Addition of $50,016,011 in federal Cooperative Agreement to Support Establishment of State-Operated Insurance Exchanges funds to continue the operations to implement the exchange web-portal system. Requires Interim Finance approval since the amount added to the Exchange Implementation Grant category exceeds $75,000. **Work Program #C24402**

Jon Hager, Executive Director, Silver State Health Insurance Exchange, introduced Shawna DeRousse, Operations Manager, Silver State Health Insurance Exchange.

Mr. Hager explained the work program in Agenda Item G-100 was a request for authorization to accept a grant in the amount of $50,016,011. The grant would be used to fund implementation and operations of the Silver State Health Insurance Exchange (Exchange) through December 2014.

Chairwoman Smith remarked the Committee was very interested in the Exchange, and she thanked Mr. Hager and his staff for their hard work; she was impressed with the number of meetings they had conducted for the program.

Assemblywoman Mastroluca said she also appreciated the work of the Exchange staff. She asked how the Exchange would be funded after fiscal year 2014.

Mr. Hager explained the Finance and Sustainability Advisory Committee had recommended to the Silver State Health Insurance Exchange Board, which had met the week before, to fund the program based on charging carriers fees for enrollment on a per-member per-month basis. He added that funding would be based only on enrollment within the Exchange. The funding for 2014 would come from the Affordable Care Act grant funds; however, the grant funds could not be used to pay for navigators or building operational reserves. Mr. Hager pointed out that it was important to have at least a small operating reserve to be able to pay bills, and the plan was to build up a 30-day operating reserve.

Mr. Hager said that because the Exchange had no historical demographic data, the rates were designed to build up a 60-day reserve for the first year, ultimately reducing it to a 30-day reserve. The per-member per-month fees would increase gradually from about $4 to $5 per month up to the $7 to $8 range; a lower fee would be charged in the first year, and the reserves would gradually build to a stable point. The 60-day reserve for the first year would allow the Exchange to absorb any fluctuations in enrollment. He said it was not the intent to use any funding other than that provided through the fees to the carriers.

Mr. Hager noted there were also other minor funding sources. Dental plans would offer stand-alone plans, and they would be charged fees as well for their enrollment. The amount would be lower because dental premiums were typically lower than health insurance premiums. Vision plans would also be offered, and those too would involve a lower fee. Mr. Hager added that another potential source of income would be advertising revenue, but advertising policies were yet to be developed.

Assemblywoman Mastroluca noted that the Exchange would be adding five positions in October and November. She asked Mr. Hager to discuss the timeline for the new positions.

Mr. Hager replied that when the grant request was prepared in June 2012, the Exchange planned to start the five positions relatively soon, but it was decided to wait a few more months to determine exactly what positions would be needed. He said the Exchange would submit a request for additional positions at the October IFC meeting; he was not sure whether it would be for five or less. The positions would not be filled until December or January, so the grant funds for those positions were moved to reserves. Mr. Hager said all of the personnel costs for positions that had not been approved were in reserves. Once Committee approval was received to add positions, the funds would be moved from reserves to the Personnel category.

Assemblyman Hickey recalled that in going forward with the establishment of the Silver State Health Insurance Exchange in the 2011 Legislative Session, Governor Sandoval put forth the idea that it would allow Nevada to set its own guidelines and look for efficiencies and patient-centered reforms. He asked Mr. Hager to comment on the criticism of some that regardless of whether the state established the Exchange itself, the program would basically be ruled by federal regulations. He wondered whether the Exchange would be as autonomous as originally envisioned.

Mr. Hager replied the federal regulations were onerous, but there were some very important provisions that provided the state autonomy as a state-based exchange as opposed to a federally-facilitated exchange. The state would have responsibility for:

- Determining rules around the navigator program.
- Determining whether brokers would be allowed to participate in the Exchange.
- Setting up a state web portal with links to businesses in Nevada rather than a product provided by the federal government.

- Creating flexibility in the SHOP (Small Business Health Options) Exchange based on Nevada's market.
- Determining whether plans offered in the SHOP Exchange must be offered in the individual exchange.
- Determining whether to allow all insurers to participate in the Exchange rather than being a free-market facilitator.
- Determining the accreditation standards, network adequacy standards, service areas, and transition of care standards.
- Determining how to fund the Exchange and the operating and maintenance costs.

Mr. Hager said that he had no idea what a federally-facilitated exchange would cost; there would be a fee, but he did not know how much it would be, how it would be funded, or whether it would be a fee to carriers or billed to the states.

Continuing, Mr. Hager said the state would control its messages and tailor them for Nevadans, and the Division of Insurance and the Department of Health and Human Services were allowed to be a part of the conversation in crafting the Exchange. He said the Exchange would create jobs in Nevada; the call center would be based in Las Vegas, and a lot of the programming during the implementation phase would be done in Nevada.

Mr. Hager pointed out that the Exchange would provide several positive benefits for Nevada because the state was implementing a state-based exchange. Through understanding the details behind the Exchange and knowing all the nuances of the regulations and how they would impact the market, the state could be a part of the conversation in crafting some of the future regulations. Mr. Hager said the regulations were not finalized; many of them were in guidance bulletins. In discussions with the Centers for Medicare and Medicaid Services (CMS) and the Center for Consumer Information and Insurance Oversight, Mr. Hager said the state had influenced some of the decision-making processes and interpretations of statute, which had benefitted Nevada. He thought it was important that the state try to influence the regulation process and mitigate some of the impacts created by the federal regulations.

Assemblywoman Bustamante Adams asked whether the vendor that was selected, Xerox State Health Care, was based in Nevada. She asked Mr. Hager to explain how Nevada-based companies would be able to participate in the additional opportunities that would be available.

Mr. Hager replied that Xerox was a foreign corporation, but it had a large call center in southern Nevada with approximately 1,000 employees; Xerox planned to hire additional staff through local recruitment.

Mr. Hager went on to explain that the biggest impact to other companies would be if the Exchange determined that it was a free-market facilitator, all insurers, including the domestically domiciled insurance companies, would be allowed to participate in the market rather than a selected purchaser. He said at this point the recommendation to the Board indicated that the Exchange would move toward the free-market facilitator model.

In addition, Mr. Hager continued, the regulations made broker participation optional, and the recommendations from the Consumer Assistance Advisory Committee to the Board was that the brokers be allowed to participate and sell products in the Exchange. He said that opportunity would be a boost in the broker community, considering that about 23.9 percent of the state's population was uninsured; that number was expected to drop down to approximately 12 percent in the first year of the Exchange and 10 percent in later years. About 250,000 people would become insured, some through Medicaid and about 100,000 through the Exchange, which would generate additional revenue to the insurers and brokers, as well as the General Fund.

Chairwoman Smith asked for further questions from the Committee; there were none. She called for public testimony and seeing none, she called for a motion.

> ASSEMBLYMAN KIRNER MOVED FOR APPROVAL OF AGENDA ITEM G-100.
>
> SENATOR PARKS SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senators Cegavske and Schneider and Assemblyman Grady were not present for the vote; Senator Rhoads was excused and not present for the vote.)

101. Office of the Attorney General - Violence Against Women Grants - FY 2012 - Addition of $85,992 in federal ARRA funds and deletion of $85,992 in federal Services, Training, Officers, Prosecutors (STOP) grant funds to ensure grants are properly budgeted to process year-end expenditures. Requires Interim Finance approval since the amount added to the Prosecution Expenses category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C24573. RECEIVED AFTER SUBMITTAL DEADLINE 8-16-12.**

Refer to motion for approval under Agenda Item G.

<u>Reclassifications</u>

Agency	Agency/ Account Number	Position Number	Present Class Title, Class Code, Grade & Salary	Proposed Class Title, Class Code, Grade & Salary
Office of the Attorney General	030/1030	0033	Supervising Legal Secretary, Code 02.151, Grade 31, Step 10, Employer Paid Retirement $49,339.44	Program Officer I, Code 07.649, Grade 31, Step 10, Employer Paid Retirement $49,339.44
Office of the Secretary of State	040/1050	0152	Administrative Assistant II, Code 02.212 Grade 25, Step 03, Employee/Employer Paid Retirement $ 31,862.88	Business Process Analyst III, Code 7.655, Grade 38, Step 01, Employee/Employer Paid Retirement $50,571.36

Agency	Agency/ Account Number	Position Number	Present Class Title, Class Code, Grade & Salary	Proposed Class Title, Class Code, Grade & Salary
Department of Health and Human Services – Health Care Financing and Policy	403/3178	0002	Management Analyst III, Code 07.624, Grade 37, Step 01, Employee/Employer Paid Retirement $48,462.48	Social Services Program Specialist III, Code 2.315, Grade 37, Step 01, Employee/Employer Paid Retirement $48,462.48
Department of Health and Human Services – Health Care Financing and Policy	403/3178	0011	Management Analyst II, Code 07.625, Grade 35, Step 01, Employee/Employer Paid Retirement $44,411.76	Social Services Program Specialist II, Code 12.318, Grade 35, Step 01, Employee/Employer Paid Retirement $44,411.76
Department of Public Safety – Records and Technology	655/4709	0035	Administrative Assistant II, Code 02.212 Grade 25, Step 01, Employee/Employer Paid Retirement $ 29,440.80	Program Officer II, Code 07.647, Grade 33, Step 01, Employee/Employer Paid Retirement $40,862.16
Department of Conservation and Natural Resources State Parks	704/4162	0027	Park Ranger II – (Non-Commissioned), Code 01.922, Grade 33, Step 01, Employee/Employer Paid Retirement $40,862.16	Park Ranger II – (Commissioned), Code 13.142, Grade 35, Step 01, Employee/Employer Paid Retirement $44,411.76
Department of Conservation and Natural Resources Environmental Protection	709/3185	0606	Environmental Scientist III, Code 10.525, Grade 36, Step 01, Employee/Employer Paid Retirement $46,416.24	Management Analyst I, Code 07.637, Grade 33, Step 01, Employee/Employer Paid Retirement $40,862.16

Refer to motion for approval under Agenda Item G.

H. DEPARTMENT OF ADMINISTRATION – STATE PUBLIC WORKS DIVISION.

1. Request to modify the scope of CIP Project 11-E02, Advance planning – DMV building in south Reno, to increase the square footage of the facility from 28,000 to 57,200 in order to consolidate all service locations at the south Reno site, pursuant to NRS 341.145(1)(f).
2. Information regarding the Project Exception Reports pursuant to NRS 341.100(8)(g).

Gus Nuñez, Administrator, Public Works Division, Department of Administration, explained Agenda Item H.1. was a request to change the scope of Capital Improvement Program (CIP) Project 11-E02, an advance planning project for a Department of Motor Vehicles (DMV) building in Reno. The change in scope involved an increase in the square footage of the facility from 28,000 square feet to approximately 57,200 square feet.

Mr. Nuñez said the main reason for the increase in the size of the building was that the original project approved in the 2011 Capital Improvement Program contemplated that the Galletti Way site would continue to exist and Project 11-E02 would be an additional facility. The Department of Motor Vehicles had since determined that the site in south

Reno would be the only DMV office in the Truckee Meadows area and the Galetti Way DMV office would be shut down. Mr. Nuñez added that the new DMV office would also include the vehicle identification number (VIN) inspection station, a commercial driver's license (CDL) course, a motorcycle testing area, and an emissions station. All of the DMV facilities that were now at the Galletti Way site and elsewhere would be consolidated at the new south Reno DMV facility.

Mr. Nuñez said a representative from DMV would explain the project's change in scope from an operational perspective.

Deborah Cook, Administrator, Administrative Services, Department of Motor Vehicles, said the 28,000 square-foot facility was brought forward by the previous DMV administration. She said the current administration, through the design and planning of the project, had discovered that 28,000 square feet would not meet the Department's needs. As Mr. Nuñez had indicated, the original plan was to leave the Galletti Way facility open; the facility and the commercial driver's license office in Sparks comprised about 38,000 square feet. Ms. Cook said that consolidating all of the Reno/Sparks DMV activities into one 28,000 square-foot facility would not be possible. If all three facilities, including the new one, were left open, it would not be possible to staff the new facility under the 22 percent cap, which was what facilitated the request to change the scope of the project.

Chairwoman Smith questioned the decision to serve the Reno/Sparks population with one facility at the south end of town; she asked how it would affect staffing.

Ms. Cook replied the current facility was located at one end of town at a different location. She said the Galletti Way facility was at maximum capacity and the Sparks CDL office was antiquated.

Ms. Cook explained there were also parking safety issues at both facilities. At the Sparks facility, it was necessary to park across the street from the DMV office, and there had been several near-accidents with pedestrians crossing the street. There were also many parking problems at the Galletti Way facility.

Chairwoman Smith remarked the Galletti Way facility was more centrally located than the proposed facility in south Reno.

Assemblyman Bobzien said he did not doubt that there were capacity issues at the Galletti Way facility and a larger facility was needed, but he was not comfortable with the consolidation of all DMV services at one location, particularly if the plan was not alleviating the need for staffing. He questioned the notion that there would be better coordination among staff by having them all in one central location. He had recently heard that DMV staff members did not have email, and he asked whether that was true. It seemed to him that if better coordination among staff was needed, a capital project would not necessarily be the first strategy for improvement.

Nancy Wojcik, Administrator, Field Services Division, Department of Motor Vehicles, replied Assemblyman Bobzien was correct; the Department was currently putting the licensing requirements in place to provide email for all staff. She said the design of the new facility would include three stand-alone buildings on one location: the main office, the emissions station, and the commercial driver's license office. The close proximity of the offices would allow cross-utilization of staff rather than driving across town to backfill vacancies. Ms. Wojcik noted that the current CDL building was leased; it was not owned by the state.

Chairwoman Smith noted that the cost of the project would be doubled at a time when there were many older state buildings in serious need of rehabilitation or reconstruction. She had serious concerns about the location and the increase in cost.

Assemblyman Bobzien recalled many instances of agencies shuffling and moving from one location to another; he believed the conversations should be in the context of a legislative session rather than a work program and change in scope. Chairwoman Smith agreed that the agencies should have a plan.

Assemblywoman Mastroluca noted that she served as the chair of the Capital Improvement Program Subcommittee in the 2011 Legislative Session, and the Subcommittee had heard the proposal for a new DMV facility in south Reno and had voted against it. She was surprised to see the proposal come back as a work program during the interim. The project was thoroughly vetted during the Session, and she agreed that this was not the time or place for this type of discussion.

Chairwoman Smith asked for public testimony; there was none.

Chairwoman Smith called for a motion; a motion was not made, and the Committee did not take action on Agenda Item H.1., Request to modify the scope of CIP Project 11-E02, Advance Planning – DMV building in south Reno.

I. NATIONAL CONFERENCE OF STATE LEGISLATURES – Presentation concerning federal automatic spending reductions, known as the sequestration process, enacted in the federal Budget Control Act of 2011 (Public Law 112-2).

Chairwoman Smith introduced Michael Bird from the National Conference of State Legislatures. She had heard Mr. Bird's presentation at a conference in June 2012; it had peaked her interest, and she felt the information would be appropriate for the Interim Finance Committee.

Michael Bird, Senior Federal Affairs Counsel, National Conference of State Legislatures (NCSL), recalled he had appeared before the Committee in 2009 after the signing of the American Recovery and Reinvestment Act (ARRA). His previous appearance was videoconferenced, and he was pleased to now be in Carson City to speak.

Mr. Bird recalled that his 2009 testimony had involved certainty; the NCSL had provided the Committee with information about where the country was going. However, this presentation would involve subjects about which there was very little certainty; concrete information would probably not be available until after the November election.

Referring to his PowerPoint presentation (Exhibit I), he noted that many of the topics were covered thoroughly on the NCSL website, and rather than discuss each slide, he would highlight certain portions. The NCSL would also be conducting future activities that would provide further information. Mr. Bird said everything he would be discussing was based on current law, but there were many who wanted to move forward by undoing what was provided in current law.

Following is a summary of Mr. Bird's PowerPoint presentation (Exhibit I) and his comments.

Summary of the Challenge ***(pages 4-5)***

- $1.00 spending with 60 cents of revenue (plus foregone revenue). The government was essentially borrowing money in order to operate the federal government and maintain all of its commitments. When there was a big decision to make, the government tended to kick the can down the road to pay for it.

- Federal debt held by the public. Currently the federal debt held by the public was 50 percent higher than it was before Nevada started to feel the fiscal tremors a few years ago. The percentage would start to decrease under current law and fiscal sanity would probably return to Washington, D.C., but policymakers, both in the current and previous Congresses and Administrations, were going to take the high road. The low road would end the tax cuts of 2001 and 2003; reduce payments to Medicare providers from the current going rate; allow the alternative minimum tax to start hitting more people than it currently hit; abolish sequestration and the Budget Control Act; and eliminate numerous other things that Congress and the Administration, both current and past, have had a penchant for continuing. Mr. Bird added that the United States was not Greece, Italy, or Spain, but it was on the road in that direction, and the challenge for everyone, especially for federal policymakers, was how to get out of the situation.

Budget Control Act (BCA) "Deficit Savings" ***(pages 7-9)***

In August 2011, the Budget Control Act (BCA) was passed; the debt ceiling was increased by $2.1 trillion in exchange for reducing spending by $2.1 trillion in two pots:

- Pot 1: $917 billion in discretionary spending ($787 billion without interest savings) over ten years via spending caps.

- Ø No better than level funding, primarily for all state programs, for the next decade. No inflation adjustments.
- Ø Programs governed by demographics, whether population or income, would be eliminated.
- Ø Some programs would be decimated in the process, which would ultimately lead to a clash between defense spending and non-defense spending.
- Ø The discretionary programs that survived would compete against one another.

The BCA was current law, and there was no discussion concerning repealing it, because the major discussion involved Pot 2 (also referred to as sequestration).

- · Pot 2: $1.2 trillion ($984 billion without interest savings) over nine years.

  - Ø $492 billion in non-defense discretionary/mandatory spending.
  - Ø With non-exempt mandatory programs omitted, the reduction to non-defense discretionary programs would be $44 billion per year.
  - Ø $492 billion in defense discretionary spending.

<u>What We Can Say About a Sequester – Pot 2 (non-defense)</u> (pages 10-14)

Mr. Bird explained Pot 2 was what was called sequestration, which meant across-the-board cuts with exemptions. If sequestration occurred, it would represent the challenges the states would face during the coming fiscal year; many in both political parties were trying to stop it, but they had different ways of doing so.

- · 82 percent of the programs were exempt from sequestration in fiscal year 2013:

  - Ø Most transportation programs
  - Ø Medicaid (vendor payments and administration)
  - Ø Pell Grants
  - Ø Children's Health Insurance Program (CHIP)
  - Ø Most child nutrition and Food Stamp programs
  - Ø Most childcare, child support enforcement, foster care and adoption assistance programs
  - Ø Abandoned Mine Reclamation Fund

- · Programs not exempt from sequestration:

  - Ø Education (elementary, secondary, vocational, higher ed)
  - Ø Employment and Training
  - Ø Energy
  - Ø Environment
  - Ø Agriculture/Natural Resources
  - Ø Criminal Justice and Law Enforcement

- Ø Housing/Community Development
- Ø Social Services (non-mandatory programs)
- Ø Health (non-Medicaid/CHIP programs)
- Ø National Forests/Mineral Leasing
- Ø Defense

Mr. Bird explained sequestration involved across-the-board cuts to a very small part of the discretionary pot. The Budget Control Act would take effect on January 2, 2013, but there was much discussion about repealing or modifying it.

<u>What We Can Say About a Sequester – Pot 2 (defense)</u> (pages 10-13)

Mr. Bird explained the second part of Pot 2 involved defense because it was to be equally cut along with domestic discretionary programs. About 65 percent of the programs under defense were covered by sequestration, and the remaining 35 percent, which was primarily personnel, was not.

Mr. Bird explained sequestration was a political tool; nobody wanted it and nobody wanted to give it up because they thought it was the only way to get to a "large deal" on the federal budget. Sequestration and the debt ceiling were the two most controversial items because there was such a broad difference of opinion about what needed to be done, spending-wise and revenue-wise, in Washington, D.C.

<u>Sequester: What We Don't Know</u> (pages 15-16)

Mr. Bird said the stakes for Nevada were enormous. Those who wanted to repeal the defense portion wanted to compensate those cuts by doubling the cuts to domestic discretionary programs.

- The Congressional Budget Office estimated 7.8 percent cuts for nondefense discretionary and mandatory programs and 10 percent of spending on defense and military-related activity in Nevada would be eliminated for the next nine years.

- Exact percentages would not be known until January 2013.

- How will individual programs be affected?

    - Ø Percentage reduction applied to FY 2013 funding
    - Ø Office of Management and Budget (OMB) has authority to apply exemptions and special rules
    - Ø Examples (Medicare, Unemployment Insurance, health care reform, trust funds)

***What We Can Guess About a Sequester* (page 17)**

Mr. Bird pointed out that sequestration, i.e., appropriation and spending reductions, was not new; it had been occurring since 2011. Domestic discretionary funding was reduced by 4.6 percent in fiscal year (FY) 2011 and 2.7 percent in FY 2012, and he estimated a 9.0 percent cut in FY 2013 if Pot 1 and Pot 2 were combined.

Mr. Bird said in September 2012, the President would be required, through legislation that was enacted the end of July 2011, to reveal to the nation the realities of sequestration, program by program. In terms of the stimulation that occurred in Washington D.C., some would want to delete programs and replace them with others, and there would be vast differences between Republicans and Democrats as to which programs would be involved.

***Impact of BCA on Nevada Nondefense - Pot 2* (page 20)**

Mr. Bird said if sequestration occurred, it was estimated that covered programs in federal fiscal year (FFY) 2013 compared to FFY 2012 would be reduced by $59,131,000. Mr. Bird acknowledged that Nevada had gone through five very strenuous years in terms of financial challenges.

***Federal Fiscal Timeline* (page 21)**

Mr. Bird noted that the vice-presidential nominee on the Republican ticket and the Democratic President agreed that sequestration should be eliminated, but the agreement stopped at the word sequestration.

- February – President released FY 2013 budget: $3 trillion in deficit savings, $350 billion stimulus package

- March – Representative Paul Ryan Budget Resolution: $5 trillion in savings

- May – House Budget Reconciliation – 10 year, $261 billion package

All would eliminate sequestration.

***A Brief History of Deficit Reduction, Studies, Reports and Negotiations* (pages 22-26)**

- Deficit Reduction Reports

Mr. Bird had read over 2,000 pages of reports about deficit reduction, and there had been many negotiations over the past 16 months involving President Obama/ and Speaker Boehner, Vice President Biden and House and Senate members, the Senate Gang of Six (three Republicans and three Democrats), the House Gang of 100 (60 Democrats and 40 Republicans), the Senate Letter from 66, and the

Super Committee of 2011 that failed. However, Mr. Bird said everyone agreed not only on what the problem was, but also on the solution.

- Common Features Among Reports/Negotiations

  - Ø Comprehensive in scope
    - § Both spending and revenue recommendations had to be on the table.
    - § Everything or most everything else had to be on the table.
  - Ø Bipartisan
  - Ø Primarily federal policymakers
  - Ø Missing ingredient: state and local government impact

- Major Areas Addressed with Potential Repercussions for State-Federal Fiscal Partnerships

  - Ø Reductions in domestic discretionary spending
  - Ø Changes to Medicaid, Medicare and other mandatory or entitlement programs
  - Ø Federal tax reform
  - Ø Federal tax expenditures
  - Ø Social Security
  - Ø Public finance/tax exempt financing
  - Ø Medical malpractice
  - Ø Transportation and energy (low-income programs)

Mr. Bird said all the reports were the same and came to the same conclusions. Some did not talk about taxes and others did not talk about Social Security. He noted again that the missing ingredient in all of the reports was what would happen to states and localities when the cuts were made. Mr. Bird cited the major fiscal plans recommended:

- Ø Bowles-Simpson (the President's Commission)
- Ø Representative Paul Ryan's 2011 House Budget
- Ø Obama-Boehner Negotiations
- Ø President's 2013 Budget

Mr. Bird said for the most part, the results were in the same ballpark – somewhere between $3 trillion and $5 trillion in deficit reductions that must be made soon.

<u>Other "Paths" to Savings</u> (page 29)

· Preserve Sequestration	$1.2 trillion (9 years)
· Repeal '01-'03-'10 tax cuts/index/the Alternative minimum tax (AMT) (No one was even discussing this option.)	$5.0 trillion (10 years)

- End all non-defense discretionary programs, no funding for education, transportation, etc. — $3.4 trillion (10 years)

- Eliminate all tax expenditures — $10 trillion (10 years)

    - Ø Mortgage interest deduction
    - Ø Health insurance deduction
    - Ø Charitable giving
    - Ø State/local income, property, & national sales tax deductions

- Block Grant Medicaid or Blended Medicaid — $810 billion (10 years)

- Reduce Medicare Provider Reimbursements — $345 billion (10 years)

<u>Federal Government Expenditures – Nevada – 2010</u> (page 31)

Retirement and Disability	$7.2 billion
Other Direct Payments	$4.5 billion
Grants	$3.7 billion
Procurement	$2.4 billion
Salaries and Wages	$1.9 billion
Total	$19.8 billion (rounded)

Mr. Bird said that the source of the figures, *Consolidated Federal Funds Report for Fiscal Year 2010,* was no longer being produced. He noted the amounts had not changed much since the 2010 report.

<u>Per Capita Federal Government Expenditures by State, All Categories</u> (page 33)

- Nevada $ 7,500+

- USA Average $10,000+

Source: *Consolidated Federal Funds Report for Fiscal Year 2010*

Mr. Bird pointed out that Nevada's average was lower; in most of the states in which he made presentations, the average was higher. He warned those states that were above the USA average that the impact of the cuts would be harder on them than some other states.

***Nevada Rank – Per Capita – Federal Expenditures – 2010* (page 34)**

Retirement and Disability	44th
Other Direct Payments	49th
Grants	50th
Procurement	38th
Salaries and Wages	34th
Overall	50th

Even with the low percentages, Nevada would receive about a $280 million cut in defense with a 10 percent cut; the state currently received approximately $3 billion in total defense, military, and veterans' benefits.

***Fiscal Cliff* (pages 35-37)**

- The Looming 'Crash' of 2012:

Ø April	Budget Resolution
Ø September	Appropriations Deadline/Continuing Resolution
Ø November	Elections
Ø December	2001, 2003, 2010 Tax Cuts
Ø December	Tax Extenders
Ø December	Debt Ceiling
Ø December	Payroll Tax, Unemployment Insurance, Medicare
Ø December	Reauthorizations
Ø January	Sequestration

Mr. Bird said for the 15th consecutive year, Congress would not finish its appropriation work by the end of September; a continuing resolution was being considered, which would mean keeping everything at the same rate for the first six months of the next federal fiscal year, i.e., through March 2013.

After the elections in November, decisions would be needed on tax cuts, the debt ceiling, sequestration, payroll tax reduction, emergency extended benefits to unemployed and Medicare providers, reauthorizations – including No Child Left Behind, TANF (Temporary Assistance for Needy Families) grants, Workforce Improvement Act, and the Farm Bill. Some could not be funded without reauthorization, especially TANF.

Mr. Bird said if the Fiscal Cliff did not come at the end of this year, it would be coming in the future. Things were so uncertain and lacking in concrete, there was nothing the states could do to prepare. Vermont, Virginia, and Washington had set aside millions of dollars in their rainy day or fiscal stabilization funds; Mr. Bird noted that those states had not experienced the difficulties that Nevada had over the last four or five years. Utah had directed its executive agencies to develop a plan for a 5 percent to 25 percent loss of federal funds, which included risk analysis and prioritization of programs.

Mr. Bird said he would not to talk too much about taxes, except to say that whatever was done with taxes would affect the Committee members, both individually and as a Legislature. If the federal government reduced the tax liability for individuals, it would mean less revenue for states. If tax reforms broadened the bases, reduced the rates, and produced more revenue, then there was usually what federal policies called a "windfall" for the states. Mr. Bird said the last major federal tax reform was in 1986, but the government had a fallback, which was corporate tax changes that provided the lost revenue to allow them to do many of the things that they did. He said now both political parties were contemplating corporate reform and reduced rates.

In summary, Mr. Bird noted that the issues were very complicated, and he wished he had more sophisticated or to-the-point information for the Committee. All the information was on the NCSL website and would be updated continually. Committee members were welcome to contact him at any time.

Mr. Bird highly recommended that the state demand that NCSL provide the state with information on a regular basis. If legislators could not travel to NCSL meetings to discuss the current issues, they should insist that they be able to participate in one way or another. He said the NCSL, the FFIS (Federal Funds Information for the States), and the National Governor's Association were working jointly to provide the states with correct and current information. Mr. Bird said the Executive Branch and the Legislative Branch needed to be on the same page with regard to the numbers and the consequences, because the challenges were huge. He was working with the state finance and budget officers at the Executive Branch level to at least have as similar a message as possible.

Mr. Bird said he would look forward to future conversations concerning the looming issues, and he offered to answer questions from the Committee.

Chairwoman Smith thanked Mr. Bird for his presentation. She urged participation in the NCSL Webinars; she had participated in a few, and they were quite good.

Assemblyman Hickey noted that the Congressional Budget Office (CBO) recently issued a dire warning of the consequences if something was not accomplished by the end of the year. He asked whether Mr. Bird concurred.

Mr. Bird replied the report from the CBO was issued the day before. The Congressional Budget Office produced an economic outlook, and yesterday's report indicated that continuing on the current course would produce the following:

- A recession was looming if action was not taken. Taking action did not mean everything had to happen on December 31. Many of the solutions would need to be implemented over the long-term – a series of years. There was concern about cutting programs and eliminating the tax cuts on December 31, 2012, because the domestic, economic, and fiscal, as well as global, repercussions would be sizeable.

- On track for unemployment to remain at 8 percent or greater through 2014.

- Reduced growth estimate from mid 2 percent to 1.9 percent.

- The situation in Europe would continue to influence not only decision making in this country, but also what the federal reserve would or would not do in the short term.

Mr. Bird said it was unfortunate that it took 13 years to get to this point, and no one wanted to dig out of the hole easily. The CBO did not mention that in the last eight months, there had been two opportunities for the Congress and the Administration to deal with short-term issues: the transportation bill, which was a 27-month extension of highway, highway safety, and mass transmit programs, and payroll taxes and unemployment insurance benefits, which were extended to the end of December 2012. Both extensions were paid for with 10-year revenues from various sources.

Mr. Bird added that the CBO did excellent work; the job was very difficult in the political environment that existed in Washington, D.C. The staff of the Office of Budget and Management was in the same situation, even though that office was directed by the party in control.

Mr. Bird said he had made the same presentation in Alaska and Hawaii. Alaska had energy money, but the two states ranked first and second in terms of dependence on federal funds. He was invited to the fourth-ranking state, Connecticut, and no one thanked him for his presentation when he left.

Mr. Bird emphasized that NCSL was watching the situation closely; there would not be many changes until after the November elections. He was worried that there might not be any change even then.

Assemblywoman Carlton thanked Mr. Bird for his presentation. She recalled a slide in his presentation that displayed a breakdown of discretionary spending. She asked whether similar information was available for military and defense spending.

Mr. Bird replied he did not currently have the information. The Office of Management and Budget controlled all information related to sequestration, and two weeks ago the OMB determined that military salaries and benefits were exempt from sequestration. The information was now being compiled in concert with FFIS, and when the information became available, he would provide it to the Fiscal Analysis Division staff.

Assemblywoman Carlton said she would appreciate receiving the information. She was interested in the Cold War era proposals that the Pentagon still had on the books and maintained did not need to be paid for any longer. She thought some of the audits in the past had been questionable.

Mr. Bird said up until seven months ago, he had never had a defense information request for NCSL, and that had completely changed. The leadership of NCSL had just included the economic effects of defense spending on the list of priority concerns because it had never been tracked before. He said the Budget Control Act changed everything, because it put defense in the spotlight. He would provide the information to the Fiscal Analysis Division staff as soon as it became available.

Senator Kieckhefer said he was trying to determine which of the programs that were not exempt from sequestration, particularly those considered to be traditional entitlement programs, the states would be mandated to continue funding and operating regardless of federal reimbursement.

Mr. Bird replied if sequestration remained, everything would change after 2013. There was a comprehensive list of hundreds of programs that were exempt from coverage, and he would provide it to the Committee. He said everything inside of sequestration assumed that current law prevailed on every single program, regardless of whether it was exempt or covered by sequestration. The expectation was that states, local governments, and nonprofits would continue to provide the same services that were being provided under current law. It would potentially be the largest cost shift to state and local governments that he could recall.

Senator Kieckhefer affirmed that eligibility requirements for all programs would stay the same and all mandates from the federal government to the states would stay the same – there just would be no federal funding.

Mr. Bird said Senator Kieckhefer had raised a good point. When it came time for the Administration and Congress to negotiate, those kinds of things needed to be discussed with the state's Congressional delegation and the Administration. Over the course of the last 20 years, the state/federal relationship in terms of what went on in Washington, D.C. had deteriorated immensely; so much had gone by the wayside that used to be accomplished together. Mr. Bird recalled back in the 1990s it was typical for the Congressional committees to have dialogue and conversations with state and local officials concerning various programs, mandates, and preemptive activity.

Continuing, Mr. Bird said when the unfunded Mandate Reform Act, which NCSL and other organizations hailed as one of the biggest achievements of 1996, was signed into law, it eliminated the Advisory Commission on Intergovernmental Relations, which was the entity that brought together federal, state, and local elected officials to discuss current issues. The Office of Management and Budget used to have a state and local impact unit that NCSL could talk to on a day-to-day basis; it no longer existed. The Consolidated Federal Funds Report, which was part of the Census Bureau and the one resource for information on all grants, loans, procurement, income transfers, and other information by state, county, city, and congressional district, was also eliminated. Mr. Bird said it was very unfortunate, and it was going to take a huge effort to restore that cooperation. He was optimistic that there was an opportunity to revisit, restructure, and modify the programs, but it would take serious leadership to accomplish.

Chairwoman Smith again thanked Mr. Bird for his presentation, and she asked him to keep the Fiscal Analysis Division apprised of any updates to the information. Mr. Bird said he would do so, and he thanked the Committee for the opportunity to speak.

J. ECONOMIC FORUM – Report regarding matters considered by the Economic Forum at its meeting conducted on June 11, 2012, pursuant to NRS 353.228(1)(f).

Ken Wiles, Chairman, Economic Forum, testified that Assembly Bill 332 of the 2011 Legislative Session required the Economic Forum to hold a meeting on or before December 10 of each odd-numbered year and on or before June 10 of each even-numbered year. He said that the second additional meeting under A.B. 332 was held on June 11, 2012, where he was elected Chairman of the Economic Forum. Under the provisions of A.B. 332, the Chairman was required to provide a report on the June meeting to the Interim Finance Committee. Mr. Wiles noted the full report was included in the members' meeting packet (a copy of the report is attached to the minutes as Exhibit J).

Mr. Wiles reported that at the June 2012 meeting, the Economic Forum heard several presentations about the current status and outlook for key state economic indicators, such as employment, unemployment, personal income, visitor volume, and the commercial and residential real estate market indicators. He recalled that at the February 2012 meeting of the Economic Forum, Assemblyman Conklin had recommended that the base of resources for information be expanded, which Mr. Wiles said was done by requesting input from the real estate community.

Mr. Wiles said two new members of the Economic Forum, Marvin Leavitt and Chris Nielsen, and the other members, Matt Maddox and Linda Rosenthal, attended the June meeting. The Fiscal Analysis Division staff provided a report on the tax changes approved in the 2011 Legislative Session and the adjustments made to the Economic Forum's May 2011 General Fund revenue forecast, which addressed those legislative changes.

Continuing, Mr. Wiles said that perhaps the most important provision under A.B. 332 was the requirement for the Economic Forum to review the status of current actual fiscal year-to-date collections compared to the Economic Forum's latest General Fund revenue forecast. At the June meeting, a report was prepared by the Fiscal Analysis Division staff indicating that total fiscal year-to-date General Fund revenue collections for fiscal year (FY) 2012 were approximately $58.9 million or 2.7 percent greater than the Economic Forum's May 2011 year-to-date forecast, adjusted for measures approved by the 2011 Legislature.

Mr. Wiles explained the June report was based on fiscal year-to-date collections for between 9 and 11 months for the monthly revenue forecast and through the third quarter of collections for the quarterly revenue forecast. He noted the information included in the tables in Exhibit J were based on the August update prepared by the

Fiscal Analysis Division and included actual year-to-date collections for between 11 and 12 months for the monthly revenue sources and through the third quarter for the quarterly revenue figures. Mr. Wiles said that although FY 2012 ended on June 30, 2012, on a fiscal year basis, it was not ended on a revenue-accounting basis. The final month of collections was still outstanding for some monthly revenue sources, as well as the final quarter for the quarterly revenue sources.

Mr. Wiles went on to say that the Department of Taxation would be reporting numbers for several of the revenue sources during the following week, and FY 2012 would not officially be closed by the State Controller until September 21, 2012, pursuant to Assembly Bill 580 (2011 Legislature).

Mr. Wiles referred the Committee to Table 2 on page 8 of Exhibit J, which reflected the actual and forecasted fiscal year-to-date comparison based on the actual collections information available in the Controller's system through August 10, 2012. He cited some of the key information contained in the table:

- Overall, actual fiscal year-to-date total General Fund revenue collections were approximately $66.2 million or about 2.5 percent greater than the estimated fiscal year-to-date forecast. The current fiscal year-to-date actual collections represented about 91 percent of the total General Fund revenue forecast for FY 2012.

- Actual sales tax collections through 11 months of FY 2012 were approximately $37.6 million, which was 5.2 percent greater than had been forecasted. The final month of sales tax collections would be reported the following week by the Department of Taxation.

- Actual gaming percentage fee taxes for 12 months of FY 2012 were approximately $11.7 million or 1.8 percent below the forecast.

- Actual fiscal year-to-state collections for the state's six major General Fund revenue sources, which accounted for about 74 percent of the total General Fund, were approximately $36.9 million or 1.8 percent above the forecast.

Mr. Wiles pointed out that the $66.2 million in General Fund revenue amounted to slightly less than 2.5 percent of the $3 billion annual General Fund expenditures.

Mr. Wiles noted that all material presented to the Economic Forum at the June 2012 meeting was available on the Economic Forum's page on the Legislative Counsel Bureau's (LCB) website. The report presented to the Interim Finance Committee was also placed on the LCB website, in compliance with Assembly Bill 332.

As requested by the Committee, Mr. Wiles said the Fiscal Analysis Division would update the tables on a monthly basis and provide them to the members of the Economic Forum and post them on the LCB website. He said the final set of tables for FY 2012 would not be distributed until late September because final numbers would not be available until after September 21 when the fiscal year was officially closed by the State Controller's Office. Fiscal Analysis Division staff would then begin producing a set of tables that would track the actual forecast.

Mr. Wiles said he was working with Fiscal staff to schedule meetings for later in the fall as the Economic Forum would begin the forecast cycle to prepare the General Fund revenue forecast for FY 2013, FY 2014, and FY 2015, which the Governor was required to use to prepare The Executive Budget for the 2013-2015 biennium. The forecast must be approved by the Economic Forum on or before December 3, 2012. Looking forward to the General Fund revenue forecast process, Mr. Wiles noted that:

- There was a significant amount of uncertainty, and the earlier presentation from the National Conference of State Legislatures (NCSL) indicated there were many systemic or federal-level risks and uncertainties facing the state. There would be a general election on November 6, and as Mr. Bird from NCSL had mentioned, significant decisions would be made after the election that would affect federal funding programs and obviously also the state budget. The Economic Forum would have a very short time after the election to prepare its recommendations and forecast.

- Nevada would not only face direct effects from changes in federal funding for state-mandated expenditures, but there would also be secondary effects. The loss of funds in other states would affect discretionary personal income in those states. Since a significant component of Nevada's economic basis was tourism, gaming, and associated revenues, any pull-back of economic conditions nationally would impact the state. At the June 2012 meeting, the Forum members asked many presenters what the greatest risk component of their forecasts was, and they all said the greatest risk to their forecasts was the condition of the national economy.

Mr. Wiles thanked Chairwoman Smith and Committee members for the opportunity to present the report from the Economic Forum and offered to answer questions.

Chairwoman Smith thanked Mr. Wiles for his presentation.

Assemblyman Conklin said he appreciated the information and Mr. Wiles' presentation. He explained that Assembly Bill 332 of the 2011 Legislative Session was not only designed to create transparency in the process, but also to provide the public more input and the Economic Forum with the opportunity to gain insight from additional sources. He noted that Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, had worked diligently on preparation of the bill

Assemblyman Conklin pointed out that the additional Economic Forum meetings were largely informational gatherings and declarations of the current economic status. There was no forecasting taking place at the interim Economic Forum meetings, and the numbers included in the tables in Exhibit J were not forecast numbers – they were numbers based on the last projections from the last budget cycle. The projections were not updated based on current conditions and did not reflect any additional information since the original forecast in May 2011.

Mr. Wiles thanked Mr. Conklin for his remarks. He said at the June 2012 meeting, the Forum members decided to extend invitations to individuals who represented commercial as well as residential real estate interests. He noted the commercial real estate industry had also been hit hard economically, and there were a number of vacant commercial properties throughout the state. He believed that problem would not be resolved for a number of years.

Assemblyman Conklin offered to do what he could to help in that market. Mr. Wiles extended the invitation to all members to submit their suggestions for anyone who would be interested in making a presentation to the Economic Forum or contacting the members.

K. STATEMENT OF CONTINGENCY ACCOUNT BALANCE.

Mike Chapman, Acting Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, referred Committee members to the balance statement of the Interim Finance Contingency Account in the meeting packet (copy attached as Exhibit K), which reflected the following current balances:

Unrestricted General Fund Balance	$ 9.52 million
Unrestricted Highway Fund Balance	$ 1.68 million
Restricted Funds Balance	$21.02 million

Mr. Chapman said two items totaling $75,590 from the Unrestricted General Fund were pending before the Committee. He noted that there was a request for $29,485 from the Unrestricted Highway Fund for the Department of Motor Vehicles' license plate factory, but the Committee did not take action on the item.

L. REQUESTS FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT (GENERAL FUND) PURSUANT TO NRS 353.268.

1. Department of Administration – Request for an allocation of $33,390 to fund the cost of Arbitrage Compliance services in FY 2013.

Jeff Mohlenkamp, Director, Department of Administration, explained that Agenda Item L.1. was a request for a Contingency Account allocation in the amount of $33,390 to fund the cost of Arbitrage Compliance services in fiscal year (FY) 2013.

Mr. Mohlenkamp recalled that when he became Director of the Department of Administration, one of the first things on his agenda was arbitrage, something he was not familiar with. He explained arbitrage was when the state's bond receipts and interest income exceeded interest expense, the money must be spent within a certain timeframe or the state would have to repay the federal government. Mr. Mohlenkamp said while initially looking at a $1 million payment, the problem was so complex, his office determined that outside expertise would be appropriate. A contract was executed for $9,900 with a contractor who was able to determine that by allocating and accounting funds in a certain manner, the state's liability to the federal government was zero.

Mr. Mohlenkamp said most states and a vast majority of municipalities in the country used some sort of arbitrage expertise because it was a very niched specific-knowledge base. He said the state should not hire an employee with that expertise; it would be preferable to contract for the expertise on an as-needed basis. Mr. Mohlenkamp said his Department did not have funds budgeted for the contract, and therefore he was requesting $33,390 from the Contingency Account to ensure that the state would not pay any more in arbitrage than was absolutely necessary.

Chairwoman Smith remarked the request was a very important one for the Committee to consider. She thought the item had gone before the Board of Examiners, and she wondered about the status of the contract.

Mr. Mohlenkamp said the request submitted to the Board of Examiners was for the entire contract amount and the Contingency Account allocation at the same time. The Board approved the Contingency Account allocation in order to contract for the required expertise, but Board members raised concerns about whether the function should be in the Department of Administration as opposed to the Office of the State Treasurer or State Controller. Mr. Mohlenkamp explained that arbitrage had been a function of the Controller's Office for several years, but that office recently lost the staff member who had the required expertise, and the Controller's Office felt it could no longer provide the service. In a survey of the 50 states, arbitrage was a Treasurer's Office function in a vast majority of the states, but there were a few states in which it was under the Department of Administration and others in which it was a Controller's Office function.

Mr. Mohlenkamp said his office approached the Treasurer's Office to see if it had an interest, and it did not. He said the function was too important to ignore; however, the Board of Examiners expressed concern over the Department of Administration assuming the function and consequently approved the contract in the amount of $10,000, which would only provide funds through calendar year 2012.

Mr. Mohlenkamp said the Board of Examiners was expecting the Department of Administration to report back as to whether the Treasurer or Controller was willing to assume the contract.

Assemblywoman Bustamante Adams asked if she understood correctly that the Treasurer's Office first refused to assume the responsibility but had since agreed to accept it. Mr. Mohlenkamp replied the Treasurer's Office had not agreed to accept the responsibility at this point in time.

Chairwoman Smith surmised the Treasurer's Office would have to request a new position if it agreed to accept the responsibility. Mr. Mohlenkamp said he could not speak to the Treasurer's Office's ability to perform the function; he would assume some level of resources would be needed. He said his Department was not asking for personnel, but taking on the responsibility would stretch his staff significantly.

Mr. Mohlenkamp clarified that the contract was being requested because the contractor would provide the significant level of expertise necessary to complete the arbitrage function. One of his staff members would have to gather data and information and help manage the contract.

Chairwoman Smith remarked that additional resources would be required regardless of where arbitrage was housed; it was an extremely important function for the state. She noted the situation was similar to local governments contracting with bond counsel; those functions were not normally done in-house.

Mr. Mohlenkamp agreed the situations were similar. When specific expertise was needed, especially only two or three times a year, it was not incumbent on an agency to have a full-time staff member dedicated to that function.

Chairwoman Smith asked for public comment; seeing none, she called for a motion.

> ASSEMBLYMAN HAMBRICK MOVED FOR APPROVAL OF AGENDA ITEM L.1.
>
> SENATOR PARKS SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Horsford and Assemblymen Grady and Hickey were absent for the vote. Senator Rhoads was excused and absent for the vote.)

2. Office of the State Controller – Request for an allocation of $42,200 to fund an eXtensible Business Reporting Language (XBRL) technology solution for Single Audit Reporting.

Susan Hart, Chief Deputy Controller, Office of the State Controller, testified that Agenda Item L.2. was a request for an allocation for funds that were authorized for the Best Use of Technology enhancement portion of the 2011-2013 biennial budget. The project was to create automation of a very tedious manual process that was required to complete a single audit, specifically the schedule of expenditures of federal monies for that single audit.

Ms. Hart said the Controller's Office had hoped to complete the project within fiscal year (FY) 2012, but because the procurement process was cumbersome and the contract was not signed until April 2012, the work was not completed by June 30, 2012.

Consequently, the request was for funds that would revert to the General Fund to be reauthorized for FY 2013 in order to continue the project.

Chairwoman Smith summarized that the funds were approved once, but because the process took a length of time, the funds were not expended in time and would revert to the General Fund. The request from the Contingency Account was for the purpose of completing the project on the single audit.

Chairwoman Smith asked for public testimony and seeing none, she called for a motion.

> ASSEMBLYMAN BOBZIEN MOVED FOR APPROVAL OF AGENDA ITEM L.2.
>
> SENATOR PARKS SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Horsford and Assemblymen Grady and Hickey were absent for the vote. Senator Rhoads was excused and absent for the vote.)

M. REQUEST FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT (HIGHWAY FUND) PURSUANT TO NRS 353.268 – Department of Motor Vehicles – Central Services – Request for an allocation of $29,485 for a new position for the License Plate Factory in FY 2013. RELATES TO AGENDA ITEM G.64.

The Committee did not take action on Agenda Item M. Refer to testimony under Agenda Item G-64.

N. LEGISLATIVE COUNSEL BUREAU – Presentation concerning the federal Patient Protection and Affordable Care Act (Public Law 111-148) and the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), known collectively as the Affordable Care Act (ACA).

Chairwoman Smith noted that the entire legislative body had been provided with a white paper prepared by the Legislative Counsel Bureau staff on the Patient Protection and Affordable Care Act (*Issue Paper, The Affordable Care Act,* Exhibit L). She said the subject was rather moot at this point because of the length of time since the Supreme Court had issued its ruling on the Act. She wanted Committee members to be able to ask the Legislative Counsel Bureau staff, particularly legal counsel, questions on the policy side of the Supreme Court decision. Chairwoman Smith suggested that since Committee members had sufficient time to read the white paper, and many had attended meetings and conferences about the Patient Protection and Affordable Care Act, they could ask specific questions about the decision. She said the issue was not about the numbers or Medicaid expansion fiscally – it only related to the Supreme Court decision and the state's authority within that decision.

Chairwoman Smith noted that Risa Lang, Chief Deputy Legislative Counsel, Legal Division, Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, and Marsheilah Lyons, Principal Research Analyst, Research Division, Legislative Counsel Bureau, were in Carson City to answer questions from the Committee. She thanked staff for their work in preparing the report; it had been very helpful to her.

Chairwoman Smith asked whether it was the Governor's responsibility to make the decision on Medicaid expansion and if there was a timeframe for that decision.

Risa Lang, Chief Deputy Legislative Counsel, Legal Division, Legislative Counsel Bureau, replied that currently the *Nevada Revised Statutes* (NRS) provided that the Governor would make that determination. According to information from the Supreme Court decision, there was no timeline for making the decision. However, the amount of federal funding would be based on when the decision was made, and to receive the higher level of federal funding, the determination of the expansion would have to occur sooner rather than later.

Chairwoman Smith assumed that if Medicaid was to be expanded, the state would need to have the infrastructure in place for the expansion this fiscal year, but there was no firm date set by the federal government.

Ms. Lang said because Medicaid expansion was now considered a voluntary program, there was no hard-and-fast deadline. The additional funding for Medicaid expansion was scheduled to occur in 2014, which would be the first opportunity to receive the highest level of federal funding.

Assemblywoman Mastroluca asked if there was a set income level and whether the 133 percent of the federal poverty level had to be used or the percentage would be flexible. Ms. Lang replied she did not have a firm answer; she had not seen any guidelines indicating whether a partial expansion was an option.

Chairwoman Smith recently heard at a conference that the federal Department of Health and Human Services had ruled that states could approve the expansion and then opt out at a later time. Ms. Lang replied she believed the matter was raised by the Centers for Medicare and Medicaid Services (CMS) during the National Council of State Legislatures, and CMS stated it believed that was the intent of the Supreme Court ruling. She reiterated that it was still not clear whether a partial expansion was possible.

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said that although states had been given the option to opt in and opt out at any point in time, no guidance had been provided as to whether there would be federal penalties or consequences for opting out at a later date.

Chairwoman Smith said if the state did not adopt Medicaid expansion, the Disproportionate Share Hospital (DSH) funding would be reduced either way. If the state did not opt for the Medicaid expansion, she asked whether the DSH funding would be lost.

Ms. Sakelarios said it was her understanding that the DSH funding would decrease regardless of whether the state chose to expand Medicaid.

Assemblywoman Mastroluca affirmed that regardless of what the state decided about the Medicaid expansion, it would still be entitled to the Prevention and Public Health Fund and school-based health center funds.

Marsheilah Lyons, Principal Research Analyst, Research Division, Legislative Counsel Bureau, replied that she was correct; some funding was provided through a grant process and some additional funding would be competitive. Any of the funding that was guaranteed to the states in the original Affordable Care Act was not changed by the Supreme Court's decision.

Assemblywoman Mastroluca asked whether it was known when that funding would become available or the grant processes would begin. Ms. Lyons replied that was not yet known.

Chairwoman Smith again thanked the staff for their work. She noted that the Interim Committee on Health had a presentation on the subject scheduled for the following week, and more information would be available then.

Chairwoman asked for public testimony; there was none.

O. INFORMATIONAL ITEMS.

Mike Chapman, Acting Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, announced that the Committee had requested testimony on three informational items: item 0.2, Administrative Office of the Courts, Foreclosure Mediation Program; O.6.b, Department of Health and Human Services, Health Division, Early Intervention Services; and item O.7.b, Department of Employment, Training and Rehabilitation, Apprenticeship Program.

Chairwoman Smith asked whether Committee members wished to hear testimony on additional informational items.

Assemblywoman Mastroluca requested more information on Agenda Item O.3.

Under Agenda Item O.7, Assemblyman Goicoechea requested an update from the Employment Security Division on the Unemployment Trust Account.

2. ADMINISTRATIVE OFFICE OF THE COURTS – Foreclosure Mediation Program Report for Fiscal Year 2012

Michael Cherry, Chief Justice, Supreme Court of Nevada, introduced James Hardesty, Associate Justice, Supreme Court; Verise Campbell, Deputy Director, Foreclosure Mediation Program, and Deanna Bjork, Budget Manager, Administrative Office of the Courts (AOC); and Robin Sweet, Director, Administrative Office of the Courts, and State Court Administrator.

Chief Justice Cherry thanked the Committee for the opportunity to provide an update on the Foreclosure Mediation Program (FMP), which the AOC had been administering since 2009. He turned the presentation over to Justice Hardesty.

James Hardesty, Associate Justice, Supreme Court of Nevada, thanked the Committee for scheduling the Foreclosure Mediation Program update on the agenda. He noted that Committee members had received a copy of the presentation, *State of Nevada Foreclosure Mediation Program, Interim Finance Committee Report, August 2012* (Exhibit M). He would provide an overview of the report and entertain any questions the Committee may have.

Justice Hardesty explained the timing of the presentation was driven by the significant decline in the filing of notices of default, also referred to as foreclosures. This phenomenon had affected the FMP program, and the AOC wanted the Interim Finance Committee to be aware of what was occurring in order to plan for issues that might emerge in the 2013 Legislative Session.

Justice Hardesty said the reduction in foreclosures had a twofold impact on the program: a reduction in the demand for mediations and a corresponding reduction in revenue to support the program. He noted the FMP was a fee-based program and the fees supported the program and its operation. Because there were limited numbers of mediations being requested, funds were not needed to support the FMP, with one exception, which he would discuss later.

Continuing, Justice Hardesty said it was also important to bring the matter to the Committee's attention because there was a corresponding adverse impact on the State General Fund. In its budget projections, the Legislature had included revenue from foreclosure mediation fees. He said the substantial decline in the number of notices of default (NOD) would unquestionably reduce the amount of projected General Fund revenue, probably by as much as 80 percent. Justice Hardesty would provide an overview of the program, its current status, and an explanation of the difficult decisions facing the Supreme Court, the Administrative Office of the Courts (AOC), and ultimately the Legislature.

Referring Committee members to his PowerPoint presentation (Exhibit M), Justice Hardesty recalled that the Foreclosure Mediation Program commenced with the adoption of Assembly Bill 149 of the 75th Session (2009). He was Chief Justice at the time and had an opportunity to discuss the program as it was emerging. He also recalled that the Supreme Court was charged with the responsibility for creating rules to manage the program, which was to begin on July 1, 2009. On July 1, 2009, the program had no staff, rules, forms, funding, offices, equipment, information technology, or trained mediators.

Justice Hardesty said he could not express enough the Court's appreciation for the work and effort of Verise Campbell, who was hired by the Court to administer the program. Her efforts were extraordinary, and she had distinguished herself as a very able-bodied representative of the program and the AOC in managing the program.

The first mediation was held on September 14, 2009, and Justice Hardesty recalled that at the time, notices of default were being filed at a rate of about 10,000 per month. The program started with one staff member in July 2009 and had since emerged to two locations (Carson City and Las Vegas); there had been as many as 20 staff members, and there were currently 208 trained mediators that handled foreclosure mediations.

Justice Hardesty explained the funding source for the FMP started in the 2009 Session with a fee of $50 for each notice of default, not only those that involved owner-occupied residences, but all NODs, including those involving commercial properties. The fee was raised to $200 in the 2011 Legislative Session. A small portion of the fee was set aside to assist counties to process the paperwork that had been added as a result of the FMP.

In addition, Justice Hardesty continued, mediators were compensated for their services by the participants rather than the General Fund. A mediator was compensated one-half by the homeowner and one-half by the lender at the rate of $200 each and they were assured no less than four hours of mediation.

Referring to the chart on page 5 of Exhibit M, Notices of Default (July 2011 – July 2012), Justice Hardesty noted that from July 2011 through September 2011, the number of NODs ranged from 3,000 to 5,000 per month. However, on October 1, 2011, foreclosures in the entire state dropped to 39, and in the ensuing months, the highest number reached was 1,180 in July 2012. Justice Hardesty said the chart revealed that over the ten-month period since October 1, 2011, the number of foreclosure notices of default filed was significantly less than what the state had been experiencing prior to that date.

Justice Hardesty added that although everyone heard anecdotally that there were bubbles or likely increases in notices of default, that had not been true over the past ten months, and from the filings that had been received, there was no indication of a bubble about to burst. He noted that approximately 16 percent of homeowners that had received a notice of default participated in mediation between July 2011 and September 2011, and 12 percent participated in mediation between October 2011 and June 2012.

Continuing, Justice Hardesty said since commencement of the program in July 2009 and through June 2012, there were 19,339 Nevadans who elected to participate in the Foreclosure Mediation Program. The program had conducted 16,350 mediations in that period of time; 1,130 mediations were not held; and 773 cases reached settlement before mediation commenced. He added that 1,148 of those seeking mediations were found not to be eligible.

Reviewing the program outcomes from July 2009 through June 2012 reflected on page 8 of Exhibit M, Justice Hardesty again noted there were 16,350 cases in which mediations were held; of that number, 9,750 or 60 percent did not reach agreement, partly because of problems with compliance by banks and partly because others had failed to participate in the program in accordance with *Nevada Revised Statutes* (NRS). Of the 9,750 cases in which there were no agreements, no certificates were issued in 7,164 cases.

Justice Hardesty reminded the Committee that A.B. No. 149 required that certificates be issued before the lender could proceed with the notice of sale. He said the certificates were a critical component of the program to assure that a foreclosure or sale did not take place while a mediation was pending. Justice Hardesty pointed out that certificates were required in all foreclosures, and the FMP had administrative responsibility to issue certificates in all foreclosures, regardless of whether they came through the program and regardless of the money available through the filing of foreclosures to support the staff that had to process the certificates.

Continuing with his review of program outcomes, Justice Hardesty said of the 6,600 cases in which agreements were reached, 2,352 (36 percent) relinquished their property, 4,176 (63 percent) retained their property, and 72 (1 percent) were unknown. He said auditors were currently conducting hand counts of the mediations in order to track the cases. Justice Hardesty pointed out that:

- Of the 4,176 cases that retained their property, no certificates were issued in 4,106 cases, and a certificate was issued in 70 cases because of the agreement.

- Of the 2,352 cases that relinquished their property, no certificates were issued in 1,600 cases because of an ongoing issue; certificates were issued in 752 cases.

Justice Hardesty referred to page 9 of Exhibit M that displayed an organization chart for the Foreclosure Mediation Program, which currently consisted of 13 staff members. He said because of the decline in foreclosures and the declining demand for mediations, it was anticipated the staff would be reduced by 4, for a total of 9 staff members as of October 1, 2012.

Turning to the budget forecast on page 13 of Exhibit M, Justice Hardesty said the good news concerning the way the program was funded was it was probably one of the more successful fiscally financial programs that existed. Because of the number of foreclosures, the program had accumulated substantial reserves and had used the reserves to provide technological improvements in the way the program operated, which had a corresponding benefit of reducing staff requirements.

From a budget standpoint, Justice Hardesty continued, the substantial reserves allowed the program flexibility to make a number of necessary decisions; the current reserves were approximately $1.5 million. He said the decision facing the Court was if the program continued to have a limited number of notices of default and a limited demand for mediations, it would be imprudent, in the Court's point of view, to spend the reserves to operate a staff that supported a program for which the demand was low. He noted that a minimum number of staff was required to process certificates.

Justice Hardesty went on to explain that in fiscal year (FY) 2014, approximately $13,000 in reserves would be used for program costs, assuming there would be about 8,400 foreclosures, or 700 foreclosures a month, in FY 2014, which was more than was currently being realized. More importantly, he said, about $750,000 in reserves would be spent to operate the program in that fiscal year. At the current level of filings, there would not be sufficient funds to operate the program at all in FY 2015.

Justice Hardesty said the Court wanted to bring the issue to the Interim Finance Committee because the Legislature would have to address the program in the 2013 Legislative Session. Flat revenues of $370,000 were projected in fiscal years 2013, 2014, and 2015 at a rate of about 700 foreclosures per month. Obviously, he said, if foreclosures were to increase, all of the reserves available to the AOC would not have to be used to subsidize the program, and the demand would support the need for staff to operate. On the other hand, Justice Hardesty noted, if foreclosures significantly declined below those that were projected, there would be a further reduction in staff, a further reduction in the demand for the program, and a number of additional expenses to be covered.

Justice Hardesty pointed out that as long as the program had to issue certificates to a lender, which was a condition precedent to a notice of sale, staff would need to be in place to process them, which could create a demand for General Fund support or other services if the Legislature required continuance of the program. However, the Legislature could decide to no longer require the certificates, which would eliminate the paperwork processing. Justice Hardesty said there were policy decisions to be made that would affect all of the issues, which was the role of the Legislature.

Concluding his presentation, Justice Hardesty offered to answer questions from Committee members.

Assemblyman Conklin congratulated the Supreme Court for a job well done. He recognized that the remediation program was not necessarily what the Court had in mind in 2007, but the Legislature had determined that the Court was the place for the program to deliver a service to the community that was in great peril. Assemblyman Conklin appreciated the fantastic service that had been provided to the state's constituents through the mediation program.

Assemblyman Conklin said he also appreciated notification of the state of the finances. It was the Legislature's responsibility to resolve the problem, and he looked forward to working with the Court to develop a solution during the 2013 Legislative Session. He did not believe there was a bubble, but he thought there would be an uptick in the number of notices of default as banks figured out the national mortgage settlement. He pointed out the trend was not unique to Nevada; it was occurring in all 50 states, and he anticipated there would be a continued demand for the program.

Justice Hardesty thanked Assemblyman Conklin for his comments and observations. He noted the vision of the Legislature in adopting the program had been recognized throughout the country for its innovation and the success it could bring to a very difficult problem. Four jurisdictions in the country had adopted the Foreclosure Mediation Program. The Legislature could be proud of its effort and innovation in creating and implementing the program.

Assemblyman Goicoechea said he was struggling with the information, particularly as it related to the rural counties. The notices of default had gone from 5,000 down to 80 and now they had bounced back to 1,000 per month; the changes were significant. People were still underwater in their homes. He asked whether the situation would be pushed out another ten years and what would happen until the market recovered. Staff had to be maintained to issue certificates.

Justice Hardesty said he would defer a response to Verise Campbell. The Court and the Justices had been very careful about not expressing policy comments and views. He did feel that the Legislature needed to have a discussion concerning policy because it affected how to proceed forward.

Verise Campbell, Deputy Director, Foreclosure Mediation Program, Administrative Office of the Courts, replied the banking industry and the real estate market had indicated that they continued to grapple with the different programs that had been developed around the country. She noted that in addition to the Nevada Attorney General's National Mortgage Settlement, other litigation issues were going on within the banking industry. Ms. Campbell said she had heard there was going to be an onslaught of filing of notices of default, which had not been realized to the degree that was predicted. There was an uptick, but only time would tell. She said that since the inception of the program, the difficulty had been to project what would be required. It had been a wait-and-see game.

Assemblyman Goicoechea asked if anyone could predict what kind of an uptick or onslaught could possibly occur in Nevada.

Assemblyman Conklin disclosed that in his private capacity, he did some real estate research for the University. The media had just reported that the actual number of transactions taking place in the housing market was over 4,000. There had been a shift from foreclosures to short sales, deeds in lieu, and other transactions that were more beneficial to the bank, the homeowner, and the community. He said it was not as if there were no transactions taking place – it was a shift in the type of transactions. Assemblyman Conklin believed that the Court wanted to alert the Committee that there was a shift taking place, the FMP was a fee-based program that was driven by the number of notices of default, there was a reserve, and the future demand was uncertain. He noted the program had a sizable reserve, and if an uptick did occur, the reserve would grow with the increased fees.

Assemblyman Conklin said he agreed there was not a huge bubble. While there were homes underwater and most communities were still suffering, the actual market was gradually moving up across the country. He believed it was important to keep the program in place as an option for those individuals who found themselves in the foreclosure process. The market trends were changing, and many of those market trends were positive for Nevada. The negative effects of foreclosures in the state were enormous and they were, by all economic accounts, a self-propelling phenomenon. Foreclosures led to lower home values, lower home values led to more homes underwater, more homes underwater led to more foreclosures, and so on. Assemblyman Conklin said stemming that tide, regardless of whether by design or by accident, was critical for the marketplace to move forward. He reiterated the problem was not unique to Nevada.

Assemblyman Goicoechea said he knew how many cows there were in the state, but he wanted to know how many homes were facing foreclosure in the state.

Assemblyman Hickey noted that the article referred to by Assemblyman Conklin indicated that nearly 70 percent of homes in Clark County were underwater. He thanked Justice Hardesty for reporting to the Committee that the Legislature had created a partial solution. He said the significant downturn and reduction in demand for mediations had been highlighted at the close of the 2011 Legislative Session. He asked what Justice Hardesty believed contributed to the downturn. He asked whether people had not been adequately informed about the program.

Justice Hardesty replied it would be necessary to conduct an in-depth study to determine the nature of the downtown. He did not believe it had anything to do with lack of education. All of the legal aid organizations throughout the state had done an excellent job of informing homeowners of their options. Unquestionably more could be done, but he believed the program had made concerted efforts through grants, advertisements, personal meetings, and extensive outreach efforts.

Justice Hardesty thought the downturn could be attributed to legislative changes in the 2011 Session in what was expected of lenders before they could initiate a notice of default – lenders had consistently indicated as much to FMP personnel. It was very difficult to quantify how many homes were still subject to a foreclosure notice of default, but the rules governing the conditions under which notices of default were filed or commenced in the first instance probably were a contributing factor to the decline in the notices being filed.

Chairwoman Smith asked for further questions from the Committee. She thanked the Justices for the excellent presentation and keeping the Committee apprised of the status of the program. She was certain that homeowners who had benefited from the mediation program were quite grateful for the assistance. No action was necessary; the presentation was for the Committee's information.

Justice Hardesty thanked the Committee for the opportunity to present the information.

Chairwoman Smith asked for public comment; there was none.

3. DEPARTMENT OF EDUCATION – Nutrition Education Programs – Increasing Participation in Nevada's National School Lunch Program and School Breakfast Program – June 30, 2012 – Semi-Annual Status Report (letter of intent, 2011 Legislature).

Assemblywoman Mastroluca said she was pleased to see increases in participation in the breakfast and lunch programs around the state. She commended the Department of Education and the school districts for their commitment to the programs. She was glad to see that the goals for increases were substantial in most of the school districts. However, Assemblywoman Mastroluca said she was concerned that the majority of the school districts' plans had no costs associated with them.

Donnell Barton, Director, Child Nutrition, Nevada Department of Education, replied those concerns would have to be addressed by the school districts. She said some of the smaller districts indicated there was no cost, which was often the case. Some of the larger districts were trying to determine their actual costs. She offered to request the information from the school districts and bring it back to the Committee.

Assemblywoman Mastroluca said the information would be helpful. She recognized that some of the measures could be implemented at no cost, but others were tangible. She pointed out that of the 17 district plans, only two districts included contacting parents about the options and the choices. She would like to see all of the districts involve the parents.

Ms. Barton said she would share that information with the school districts. She was working on a new meal pattern and was preparing a letter that the district food service directors could send to the parents informing them of the new meal pattern and the reasons for it: to make the meals in schools healthier and help children develop better eating behaviors and to include an increased consumption of fruits and vegetables and whole grains. Ms. Barton said the letter would be sent at the beginning of the new school year.

Nicole Rourke, Executive Director, Government Affairs, Community and Government Relations, Clark County School District, said at the time the report was prepared, Clark County School District was unsure of many of the costs. She said the competitive food elimination was an issue that many schools across the country, particularly at the secondary level, were dealing with. A budget had been developed for the marketing manager/coordinator, which was a part-time position at a cost of approximately

$15,000. She said the district would provide more substantive dollar amounts in the report and provide them to Ms. Barton.

6. DEPARTMENT OF HEALTH AND HUMAN SERVICES
   b. Health Division – Early Intervention Services (EIS) – Follow-up information from the June 21, 2012, IFC committee meeting regarding the EIS program

Mary Wherry, Deputy Director for Clinical Services, Nevada State Health Division, Department of Health and Human Services, testified that the Committee had been provided with a written update on Early Intervention Services (Exhibit N). She said a meeting was held with the private sector and the state agencies on August 6, 2012, and a consensus was reached as to what the roles of the state and the private sector would be in the future design of the program. She had additional information to present to the Committee.

Chairwoman Smith said she was concerned about the number one issue, which was to serve the children and their families. She recalled discussion at the last Interim Finance Committee meeting about a pilot program that would cost $3.5 million to transition services to the community providers. Chairwoman Smith said she needed to know what the plan was and when it would be implemented. She asked Ms. Wherry to explain the current status of the plan.

Ms. Wherry said the state and private sector had agreed that the state would start transitioning the children into the model where the state's role would be to provide service coordination for the children and the private sector would provide all of the individualized family service plan (IFSP) services. The private sector and the state would both meet with the family and the child to determine eligibility, and the state would provide the service coordination once the child was made eligible. For those children who were not eligible for the program, which was about 40 percent of the children referred to the Health Division, the service coordinators would work with the families to provide them with other resources for assistance. The private sector would provide 100 percent of the IFSP services.

Ms. Wherry said there was a tentative rate analysis completed for the amount the state would reduce the private sector's rate once the service coordination costs were removed. The Division and the contractor were trying to establish the final rate this week in order to complete budget preparation. Ms. Wherry said the rate would be beneficial in determining how many kids could be put into the pilot program starting in October.

Chairwoman Smith asked Ms. Wherry to explain the scope of the pilot program. Ms. Wherry replied the scope involved looking at what issues came up as the children were transitioned from receiving services from both the state and the private sector. Currently the state and the private sector were in a competitive situation; the private sector was frustrated because the state had more kids and services, but the state had limited dollars to provide to the private sector to serve children. Ms. Wherry explained that currently the private sector was paid $565 a month per child, and the state could not control how many kids were being served with IFSP services and at what cost.

Continuing, Ms. Wherry said the pilot program was intended to work out the mechanics of the role of the service coordinator with the state, because the state's role would change. It was important that the staff in the private sector be well trained to understand the boundaries of the private sector versus the state and to work through points of tension before the program was transitioned to the private sector with the state only providing the service coordination.

Chairwoman Smith asked whether it was the Legislature's role in the budget process to determine how services were provided. She was concerned that the Division would submit an entirely new Early Intervention Services program to the Legislature in the 2013 Session. She recalled that the Legislature had approved a budget and plan for the program in the 2011 Legislative Session, and then the Committee was told that a pilot project would be conducted because the new service delivery model would not comply with Part C requirements. She could not understand the Legislature's role in the program.

Ms. Wherry said she appreciated the Chairwoman's concern. She said the goal was not to have 100 percent of the kids transitioned by the end of June 2012. The plan was to work through the problems during the pilot. She recalled that there was not enough money in the last budget to cover caseloads, and the Division did not have time to work through any kind of approach or concept to remedy the problem. Ms. Wherry said the purpose of the pilot was to try to avoid presenting a budget to the 2013 Legislature that did not have the concepts worked out in real time.

Chairwoman Smith said she understood what Ms. Wherry was saying, but she did not understand how the pilot project would transition to a new program.

Assemblyman Bobzien said in his mind, the concept of the pilot was for the evaluation of the value of the service model itself so that in the 2013 Legislative Session, the 63 legislators could review the program and understand the decision points. However, he was hearing that the Division had already made the decision to adopt this model, and the purpose of the pilot was to identify the kinks and obstacles of the model, thereby cutting the Legislature out of any consideration of the pros and the cons of the new model. In his mind, the pilot should be an honest assessment of how the new model compared to the current model – not just the roadblocks. The roadblocks were ancillary to the two competing models.

Mary Liveratti, Administrator, Aging and Disability Services Division, Department of Health and Human Services, recalled that three legislative sessions ago, the finance committees considered how many early intervention services were being provided by the private sector. Mike Willden, Director of the Department of Health and Human Services, had promised that at least 20 percent of the Early Intervention Services would be provided by the private sector. Ms. Liveratti said the attempt to move more services to the private sector had been going on for at least six years.

Ms. Liveratti noted that all of the early intervention services were not being moved to the private sector this year; the pilot would involve only approximately 40 percent of the program. Based on the Governor's decision, the agencies were now building the budget to transition a greater number of services over the 2013-2015 biennium, but the projections were that even by the end of the biennium, services would not be 100 percent converted to the private sector.

Assemblyman Bobzien said he appreciated the fact that it was a long-term effort and he understood the history of the program. However, it was his understanding that when the 2013 Legislative Session began, the Division would present a greater expansion of this model. He pointed out that the Division was proposing a pilot, which should provide an opportunity to build evidence and the rationale for the new model. The goal of the pilot should not be just to look at the obstacles – it should be to try to accumulate the anecdotes and evidence in support of why the program would work. Assemblyman Bobzien said he did not want to hear that the purpose of the pilot was to identify the obstacles to moving the services to the private sector. The Division should be building the case for full legislative approval of the new model in future budgets going forward, regardless of the size of the expansion in the 2013 Legislative Session.

Chairwoman Smith noted that, aside from the next biennium, there was nearly a year left in the current budget to serve the kids. She would be extremely frustrated if there was a longer waitlist because a decision had not been made about how to move forward, staff were not being hired, and the program was in a holding pattern.

Chairwoman Smith suggested that a subcommittee be appointed to discuss the program in order to spend more time to hear public testimony and not have to discuss it in the full Committee every meeting. She said she felt frustrated; this was about what needed to be done right now to serve the kids.

> ASSEMBLYWOMAN MASTROLUCA MOVED THAT A SUBCOMMITTEE OF THE INTERIM FINANCE COMMITTEE BE APPOINTED TO CONDUCT A PUBLIC MEETING ON EARLY INTERVENTION SERVICES.
>
> SENATOR CEGAVSKE SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Horsford and Assemblymen Grady and Hickey were absent for the vote. Senator Rhoads was excused and absent for the vote.)

Chairwoman Smith would contact Committee members by email requesting volunteers to serve on the subcommittee. She asked for public comment concerning Agenda Item 6.b.

Ms. Wherry announced that Wendy Whipple, former Part C Program Manager for the Department of Health and Human Services, suffered a massive stroke and passed away this week. She wanted to acknowledge Ms. Whipple's service and contribution to the State of Nevada and offer condolences to her family.

Brian Patchett, representing Easter Seals of Nevada, testified Easter Seals of Nevada was a community provider that delivered early intervention services to approximately 360 children across the state. He believed it was good to have a subcommittee consider the program to determine what would actually benefit the children. Mr. Patchett said Easter Seals had been providing these types of services throughout the country since 1919, and in Nevada since 1950. Easter Seals was most concerned with how it could help kids overcome disabilities, work with families, and see success so that the children would be prepared for school.

Mr. Patchett said it was important that the program accomplish three things: (1) provide services to children in a more efficient and effective manner, (2) be able to identify kids who were not currently receiving services, and (3) ensure that services were provided in a high-quality manner, regardless of whether the provider was the state or private sector. He said the focus was to try to help the kids. He thanked the Committee for the opportunity to speak.

Robert Burns, Therapy Management Group, Las Vegas, testified Therapy Management Group was a community provider for the State of Nevada and served children birth through three years in the Early Intervention Services program. Mr. Burns thanked the Committee for forming a subcommittee to consider the pilot program and hopefully advance it forward. He said the problem had been addressed for years, and the community partners had provided an essential resource to contain costs for the state through the flat rate, as well as to provide services in an efficient and effective manner. Mr. Burns said he hoped the subcommittee would advance the cause and allow the community partners to continue serving the children and their families.

Keith Uriarte, Chief of Staff, American Federation of State, County and Municipal Employees (AFSCME) Local 4041, thanked the Committee for creating the subcommittee to hear public comment and testimony about what was actually happening with Nevada Early Intervention Services (NEIS). He said the earlier comments about the pilot program were very serious, and he wanted to make a brief comment on what had been taking place, which was also very serious. Mr. Uriarte's comments follow:

- A community provider beginning services at the end of the month and to be paid for the full month is not about the kids.

- A community provider ending services at the beginning of the month and being paid for the full month is not about the kids.

- For the NEIS administration to be deliberately sabotaging its critical interventions program under the guise of a pilot program for the benefit of a politically connected community provider is not about the kids.

- The awarding of no-bids state contracts to former community provider employees is not about the kids.

- Intentionally creating a waitlist, thereby denying children of critically needed services, is not about the kids.

- To deliberately not fill positions necessary for continuance of the NEIS program for the benefit of a politically connected community provider is not about the kids.

Chairwoman cautioned Mr. Uriarte to carefully consider his comments about a politically connected provider.

Mr. Uriarte continued:

- The deliberate violation of state and federal open-meeting laws to circumvent the due process is not about the kids.

- The holding of an open meeting scheduled for September 28, 2012, with the intent to implement the pilot program on October 1, further denying the families of the children of their informed consent and civil rights, is not about the kids.

On behalf of the children, their families, and AFSCME, Mr. Uriarte thanked the Committee for taking action to create the subcommittee.

Chairwoman Smith asked for further public comment; there was none.

7. DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
   a. Monthly reports on the status of the Unemployment Insurance Trust Fund balance for May 2012, June 2012, and July 2012, pursuant to the request of the Interim Finance Committee's Subcommittee for Federal Stimulus Oversight, A.C.R. 34 of the 2009 Legislature.

David Schmidt, Economist, Research Analysis Bureau, Department of Employment, Training and Rehabilitation, reported that he had good news: at the end of federal fiscal year (FFY) 2012, the Unemployment Insurance Trust Fund loan balance would be approximately $680 million, which was down from $740 million in September 2011. He said that it was a good time for the Trust Fund loan balance; revenues were typically higher in the second and third quarters of the year and benefit payments were lower. He used the seasonal low balances for year-over-year comparisons. Mr. Schmidt said the Trust Fund interest payment due September 30, 2012, would be approximately

$24 million, and it should be between $20 million and $25 million each year of the next biennium, depending upon interest rates and the recommended tax rates through the Employment Security Council.

Mr. Schmidt went on to explain that the current trends were slightly higher tax revenues, benefit payments were continuing to slide, and overall, the Trust Fund loan balance could be expected to go down. He said the state's borrowing peaked at just under $850 million, and given the current trends, he would expect it to peak again in April 2013, probably at $780 million to $800 million.

Chairwoman Smith thanked Mr. Schmidt for the information; there were no questions from the Committee.

b. Quarterly report on the status of the transition of the Community College Apprenticeship Program for the period ending June 30, 2012 (letter of intent, 2011 Legislature).

Chairwoman Smith explained the media had released information that funding for the apprenticeship programs at the community colleges had not been approved by the Board of Examiners. She thanked Mr. Woodbeck for getting involved right away; she had received confirmation that day that the Governor was going to move the funding forward. Chairwoman Smith asked Mr. Woodbeck to update the Committee for the record on the status of the apprenticeship programs.

Frank Woodbeck, Director, Department of Employment, Training and Rehabilitation, confirmed that he had spoken with the Governor, and the funding problem for the apprenticeship programs was resolved. The Governor had asked where the money was being spent and why, which was a legitimate question. Mr. Woodbeck said he explained to the Governor that the apprenticeship programs were of great value in terms of maintaining and upgrading the skills of individuals in particular trades on an ongoing basis. The apprenticeship programs would be needed during the economic rebound, particularly in the construction sector.

Mr. Woodbeck pointed out that the request had been tabled at the Board of Examiners' meeting, but would be agendized and approved at the next meeting, at which time the funds would be released. He had told the Governor that the Department would track statistics on the apprenticeship programs.

Chairwoman Smith thanked Mr. Woodbeck for his quick attention to the problem. She said the programs in the community colleges were counting on that funding, which had been approved by the Legislature and was in the community colleges' budgets.

Mr. Woodbeck added that the Department had a very close alliance with the community colleges and the Nevada System of Higher Education.

P. PUBLIC COMMENT.

Chairwoman Smith asked for public comment in Carson City or Las Vegas; there was none.

Chairwoman Smith announced that Diane Comeaux, who had been with the state in several capacities for many years, had retired. On behalf of the Committee, she wanted to congratulate Ms. Comeaux and thank her for her excellent service to the state.

Q. ADJOURNMENT.

Chairwoman Smith announced the next meeting would be held in Carson City on October 25, 2012. She thanked the Legislative Counsel Bureau staff and state agency staff for their time and efforts.

Chairwoman Smith noted that Mike Chapman, Acting Assembly Fiscal Analyst, provided staff support to the Committee for the first time and did a very good job.

There being no further business to come before the Committee, Chairwoman adjourned the meeting at 5:39 p.m.

Assemblywoman Debbie Smith, Chairwoman
Interim Finance Committee

Rick Combs, Director, Legislative Counsel
Bureau and Secretary, Interim Finance Committee

EXHIBITS INTERIM FINANCE COMMITTEE August 23, 2012		
Exhibit	**Witness/Agency**	**Description**
A	**********	Agenda
B	**********	Meeting Packet
C	Catherine Cortez Masto, State Attorney General	Nevada Housing Counseling Consortium Request
D	Catherine Cortez Masto, State Attorney General	PowerPoint Presentation – *The National Mortgage Settlement*
E	Catherine Cortez Masto, State Attorney General	*Introduction to the National Mortgage Servicing Settlement*, Office of Housing, Department of Housing and Urban Development
F	Catherine Cortez Masto, State Attorney General	Nevada Foreclosure Settlement Program Homeowners' Assistance Flow Chart
G	Catherine Cortez Masto, State Attorney General	Nevada Foreclosure Settlement Program Organizational Chart – Administration
H	Catherine Cortez Masto, State Attorney General	Nevada Foreclosure Settlement Program Outreach Campaign
I	Michael Bird, National Conference of State Legislatures	PowerPoint Presentation – *Sequestration, BCA, "Fiscal Cliff" and Beyond*
J	Ken Wiles, Chairman Nevada Economic Forum	Report on the Economic Forum's June 11, 2012 Meeting
K	Mike Chapman, Acting Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Statement of Interim Finance Contingency Account Balance as of August 23, 2012
L	Debbie Smith, Chairwoman Interim Finance Committee	*Issue Paper: The Affordable Care Act*
M	Justice James Hardesty, Nevada Supreme Court	PowerPoint Presentation – *State of Nevada Foreclosure Mediation Program*
N	Mary Wherry, Deputy Director for Clinical Services, State Health Division, Department of Health and Human Services	Memorandum to IFC: Early Intervention Services Follow-Up to June IFC